HOME MORTGAGE PROGRAMS

OPERATING MANUAL

Sections 1-8
Introduction, Eligibility, Underwriting, Closing, Additional Lender Information, Loan Delivery/Purchase, Investor Reporting Guidelines and Single Family Servicing

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SECTION 1 – GENERAL INTRODUCTION

1.1 Preface

This Operating Manual (the “Manual”) with the Loan Program Outlines has been prepared by the Connecticut Housing Finance Authority (CHFA) to provide loan origination and operating guidelines for Participating Lenders in its Home Mortgage Purchase Programs. This Manual supersedes all prior operating manuals, program bulletins or other home mortgage program materials distributed by CHFA.

CHFA mortgage loans are available to borrowers who meet income and other eligibility criteria described in this Manual. CHFA does not refinance existing mortgage loans, except when coupled with substantial rehabilitation, or as part of a “special program” initiative authorized by the Authority.

The purpose of the Home Mortgage Purchase Program is to further the general policies of Chapter 134 of the Connecticut General Statutes, including the specific statutory objectives of:

A. Providing funds for long-term mortgage financing of Connecticut residential housing for occupancy by low- and moderate-income persons and families; and

B. Encouraging the development of balanced communities of all income levels in cities which qualify as Urban Areas under the Act.

1.2 Organization

This Manual is intended to provide policy guidelines and detailed instructions for the performance of the written agreements between CHFA and its Participating Lenders. Accordingly, the provisions of this Manual are subject in all respects to the provisions in the Authority’s procedures and the definitive terms of the Master Commitment Agreement for Mortgage Purchases and the Home Mortgage Servicing Agreement in effect from time to time.

From time to time, CHFA may revise this Manual by issuing changed or additional pages, or with the publication of a CHFA Bulletin or the CHFA Loan Program Outline.

CHFA Bulletins will be sent to the Participating Lender’s designated authorized staff and simultaneously posted on the CHFA website at *chfa.org.*

As noted throughout the Manual, CHFA requires the use, as appropriate, of **FHA, VA**, **USDA** or **FNMA / FHLMC** printed Mortgage Deed and Promissory Note forms on all First Mortgage transactions. Participating Lenders are responsible for processing and servicing Loans in accordance with specific **FHA, VA, USDA, FNMA, FHLMC, CHFA** or private mortgage insurance **(PMI)** requirements when applicable, and only general reference is made to those requirements in this Manual.

Throughout this Manual, masculine references shall include both genders or either gender, as appropriate.

CHFA reserves the right to request additional information, documentation and/or compensating factors to support any credit package.

SECTION 2 – ELIGIBILITY

2.1 Eligible Borrowers

General

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

A. 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 the financial capacity to repay such loan and has an annual aggregate income that is at or below the applicable income limit in effect at the time the application was taken. CHFA income limits may be higher in Targeted Areas. Lenders must follow income limits for Target Area census tracts if applicant's property is located in one of the specified Federally Targeted Areas of the state;
2. Agrees to occupy and use the residential property to be purchased for a principal residence within sixty days;
3. Possesses the legal capacity to incur the obligations of the CHFA Mortgage Loan;
4. Has not, at any time during the three years preceding the date the mortgage loan is executed, had a present ownership interest (as defined by the Home Mortgage Programs Operating Manual) in their principal residence. This requirement does not apply to loans on properties located in targeted areas as designated by the Authority or to loans made to prior homeowners as permitted by Federal and state law; and

5. Is not using the proceeds of the Authority’s mortgage to refinance an existing mortgage on the property (except in the case of a qualified rehabilitation loan) or to finance the acquisition of the remaining interest in a property in which a partial interest already is owned. The use of the loan proceeds to refinance an existing mortgage Is permitted only if the prior mortgage is a construction period loan or other temporary financing with a period of twenty-four (24) months or less, or if it is on unimproved land on which a dwelling is to be constructed and is to be paid prior to the closing of the Authority’s mortgage loan, which latter loan does not exceed the cost of construction.

2.2 Homebuyer Education Requirements

At least one borrower must attend a Homebuyer Education Workshop facilitated by a CHFA Participating – HUD Approved Counselor. CHFA Participating Lenders must advise Eligible Borrower(s) of their responsibility to attend a Homebuyer Education Workshop and provide them a copy of the Homebuyer Education Calendar or the names of the CHFA Participating – HUD Approved Counseling providers. The Homebuyer Education Calendar and the list of the CHFA Participating -HUD Approved Counselors can be found on the CHFA website at *chfa.org* under the title “Homebuyer Education”.

A. As a requirement of obtaining a CHFA mortgage loan, Eligible Borrowers must attend one of the following Homebuyer Education Workshops and submit a certificate of completion to their Lender for inclusion in the CHFA loan file submission. Additionally, Landlord Education is required for borrower(s) purchasing a 2-4 family unit.

1. **Pre-Purchase Homebuyer Education:** Meets the requirements for all CHFA Programs, **or;**

2. **Pre-Closing Homebuyer Education**: ***(In Person or Online)*** Meets the requirements for all CHFA Programs.

3. **Landlord Education**: Additional Education required for borrower(s) purchasing a 2-4 family unit.

2.3 Income for Eligibility

Income to Determine Eligibility

Borrower(s) shall not have aggregate income in excess of the applicable income limit established by CHFA and in force at the time of application and date of closing for the Mortgage Loan. CHFA income limits may be higher in Targeted Areas. Lenders must follow income limits for Target Area census tracts if applicant’s property is located in one of the specified Federally Targeted Areas of the state.

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

Eligibility income is different from qualifying income. Qualifying income is the income being used to qualify the borrower under the applicable Investor/Agency guidelines. Eligibility Income is used to determine if the borrower meets CHFA's Income Limits. Please also refer to the CHFA Limits & TTO Eligibility Income Guide for additional guidance.

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

INCOME CONSIDERED IN LIMITS INCLUDE, BUT ARE NOT LIMITED TO:	
Alimony/Child support	Overtime
Adoption/Foster care income	Part-time earnings
Allowances: auto, uniform, housing	Pension, Annuity, Retirement, Social Security
Bonuses	Profit Sharing
Capital Gains	Regular Earnings: Base salary/hourly
Commissions	Rental income
Disability payments	Self-employment; Schedule C, E
Dividends	TANF
Gambling/Lottery winnings	Tips
Interest	Trust Income
Military income *(allowances; housing, clothing, subsistence)*	Unemployment Benefits

Determining income:

Income is to be annualized considering all income. When there is an increase in income from the previous year, use current YTD income. When there's a decline from previous year, average with previous year. When in doubt, use the higher amount or submit all income documentation to CHFA for validation. When annualizing based on YTD, the lender must consider if the OT/Bonus/etc. is earned at a higher amount at different times of the year, such as delivery persons are typically busier during the holiday season, line workers in winter/bad weather, etc. For applicants that receive an increase in pay due to an increase in hours, pay raise, promotion, etc., lenders are required to use the most recent salary/income to determine eligibility. Increased income cannot be averaged with lower earnings or previous employer earnings received in the calendar year prior in order to reduce income for participation.

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

1. **Commission/Bonus/OT Income for Eligibility Limit Purposes**

If two years tax returns are required by Agency/Investor and the income is declining, the lender shall use a 24-month average. If the income is increasing, the lender must use the most recent 12-month earnings.

2. **Calculating Rental Income for 2-4 Unit Dwelling**

The net rental income from units in a two-four-unit dwelling will be added to the borrower's income for eligibility within the CHFA income limits and 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, FNMA, FHLMC, or CHFA special program, when applicable. Rental income from the borrower's occupied unit does not need to be considered.

3. **Self-Employment**

- Determine # of years federal tax returns required based on AUS findings
- Net income calculated as per Agency/Investor guidelines. CHFA will add back in **all** allowable expenses, such as depreciation, mileage, etc.
  - If only 1 year required, use 12-month average
  - If 2 years required:
    - if income increased, use most recent year average
    - if income decreased substantially, use two-year average
  - YTD Profit & Loss statements are not acceptable

4. **Income Losses**

Self-employment or investment losses and employee expenses on Form 2106 will not be deducted for purposes of eligibility but will follow Agency/Insurer guidelines for qualification purposes.

2.4 First Time Homebuyer Requirement

An Eligible Borrower must not have had an "ownership interest in his/her principal residence" (as hereinafter defined), regardless of where it is located, at any time during the three years preceding the date of the execution of the new mortgage. This requirement does not apply to Mortgage Loans for Eligible Dwellings located in Targeted Areas.

1. **<u>Definition of Ownership Interest</u>**

"<u>Present ownership interest in a principal residence" includes</u>:

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. <u>Interests which **do not** constitute a "present ownership interest in a principal residence":</u>

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;

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; and

viii. Land only.

2. **Disposal of Other Residential Property**

Any residential property that is owned by the borrower shall be sold/interest divested of before closing on the CHFA Loan.

3. **Persons Covered**

This requirement applies to any person who will execute the Mortgage Note and Deed and will have an ownership interest in the Eligible Dwelling.

4. **Evidence of Previous or Current Homeownership**

To verify that the Eligible Borrower meets the three- year requirement, the Participating Lender must obtain a credit report and a fraud report that provides a complete ownership history for the borrower, such as LoanShield, LexisNexis, FraudGuard, or other industry acceptable Fraud Risk Solution.

5. **Lender's Responsibility to Verify Real Estate Ownership Documentation**

Participating Lender must, with due diligence, verify the information in the Borrower Eligibility Certificate regarding the applicant's prior residency 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 evidence compliance with the requirements of this section. Such certification shall be made on the Participating Lender Certification *(CHFA Form 019-1101).*

2.5 Principal Residence Requirement; Owner-Occupancy

General

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 Eligibility Certificate and Mortgage Note.

In the case of a rehabilitation loan (203(k)), follow Agency/Investor guidelines for occupancy requirements.

1. **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).

2. 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.

3. **Requirement for Existing Mortgage on Subject Property/Partial Interest**

Mortgage Loans maybe 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 owned by the Eligible Borrower debt free, except for:

- A construction loan; or
- Temporary financing which has a term of twenty-four months or less;
- 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 (not currently offered for properties already owned by the borrower)

4. **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.

Lenders are responsible for submitting applications to CHFA within a time frame sufficient to allow CHFA to perform a review of the loan prior to the anticipated closing/contingency date.

5. **Multiple Mortgage Loans**

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

2.6 Eligible Dwellings

A. 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, agency /insurer guidelines 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 2.6 B).

B. 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 have conducted an on-site inspection/appraisal and to verify 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

Follow Agency/Investor Requirements

C. Sales Price/Acquisition Cost Requirements

1. Acquisition Costs

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.

Definition of Acquisition Cost

Acquisition Costs means the cost of acquiring the Eligible Dwelling from the Seller as a completed residence. The total acquisition price may not exceed CHFA's sales price limits.

Lenders must complete and have signed by the borrower(s) the Acquisition Cost Worksheet and submit with the loan file submission.

2. **Transactions Involving Built-In Equity**

The appraised value may not exceed 5% above the applicable sales price limit on any transaction.

Transactions are not eligible for the Time to Own program when the subject property's appraised value exceeds the sales price by 20% or more.

D. Condominium Projects

An individual condominium unit is included within the definition of an Eligible Dwelling provided the Lender certifies the project meets Agency/Investor guidelines.

1. **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, VA, USDA, or Fannie Mae/Freddie Mac approval may be submitted to CHFA for consideration.

   a. CHFA mortgage loan financing for individual units in Affordable Deed Restricted Projects that are ineligible for FHA, VA, USDA 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.

E. Leasehold Interests

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

(a) The lease shall be in full force and effect;
(b) The notice of the lease shall be recorded on the land records of the town in which the leased property is located; and
(c) The term of the lease may not terminate earlier than that number of years beyond the maturity date of the Authority's mortgage loan as is equal to the number of years remaining to maturity.

SECTION 3 – APPLICATION PROCESSING AND UNDERWRITING

3.1 Reserving Funds

When a fully ratified contract is received, the lender must determine that the transaction meets the eligibility requirements for CHFA financing in order to proceed. When the eligible transaction is within approximately 45 days (recommended) of the anticipated closing date, the lender shall Reserve the Loan/Lock in CHFA's Loan Origination System ("LOS") and simultaneously register any/all CHFA subordinate financing. The reservation should match the AUS and loan transmittal type.

Note: *only lender staff that has participated in the appropriate training for their job function should be given access to LOS or permitted to work on any CHFA loan file. This is an annual requirement.*

Interest rates for each program are included on the CHFA Loan Rates published on the CHFA website at www.chfa.org.

See Section 5 for additional information on reservation and lock policies.

3.2 Loan Program(s) Selection

A. Type of Financing

Lenders are expected to select the best financing option(s) available to the borrowers including, but not limited to, the first mortgage type and any CHFA subordinate financing available.

1. **First Mortgage Loans (Agency):**

   - FHA
   - FHA 203(k) Limited and FHA 203(k) Standard w/prior approval from CHFA/Master Servicer
   - HFA Preferred/HFA Advantage (Fannie/Freddie)
   - VA
   - USDA

2. **Special Programs:**

   CHFA offers special rate discounts on the following programs:

   - Home of Your Own (for households with a disabled family member or borrower)
   - Homeownership for Residents of Public Housing

- Veterans and Military Service Members
- Police Homeownership Program
- Teachers Mortgage Assistance Program
- Smart Rate Pilot Loan Program (limited funding)

3. **Down Payment and Closing Cost Assistance Loans:**

CHFA offers various forms of Down Payment and Closing Cost Assistance Subordinate Loans to complement its first mortgage loans. Although its flagship program, the Down Payment Assistance Program (DAP) Loan is typically continuously funded, other programs may have limited funding, such as the Time to Own (TTO) Forgivable Down Payment and Closing Cost Assistance Loans.

Since programs are constantly evolving and limits, etc. may change, please refer to the Loan Program Outlines for specific terms and guidelines/overlays.

Lenders will receive emailed Bulletin notifications any time a new program is introduced, funding is exhausted, or one is changed. To sign up to receive bulletins, please email Bulletins@chfa.org.

4. **Other Special Programs**

CHFA offers several other loan programs that are administered either in-house or via a designated partner. These programs are not offered through our Participating Lenders, with the exception of the Mobile/ Manufactured Home Loan Program which is offered through specific Participating Lenders.

- Emergency Mortgage Assistance Program (EMAP)
- Reverse Annuity Mortgage (RAM)
- Mobile/Manufactured Home Loan Program

See chfa.org for additional information.

3.3 Credit Review

CHFA reserves the right to request additional information, documentation and/or compensating factors to support any credit package.

A. Evaluation

The Participating Lender is responsible for evaluating applicants for CHFA Loan eligibility. Evaluation of creditworthiness must be done on a case-by-case basis.

B. Income

Each applicant for an Authority's home mortgage loan shall provide such evidence as the Authority may deem appropriate, consistent with industry practice and current requirements under the Internal Revenue Code and other applicable laws. Such evidence may include, in the Authority's discretion, the procurement by a participating lender of income and employment verification, federal income tax returns, and such other documentation as may be common in the industry.

1. **Repayment/Qualifying Income**

Standards for determining qualifying income shall follow the requirements of the Agency/Investor, barring boarder income as this is not permitted on CHFA loans due to property requirements, and unless otherwise noted on the applicable Loan Program Outlines.
All income calculations must be provided to CHFA from the Participating Lender underwriter in a clear and concise manner. CHFA reserves the right to request additional documentation when deemed appropriate.

2. **Eligibility Income Limits**

See section 2.3 for detailed instructions on calculations and also refer to the Income Calculation Guide for Eligibility for a CHFA Loan. Aggregate borrower(s) gross income shall include all income from whatever source derived, annualized to project current rate of earnings.

Eligibility Income Guide

3. **Family Size**

Applicants expecting the birth of a child are allowed to count the unborn child as a member of the family for income limit purposes. Satisfactory documentation of pregnancy must be provided.

4. **Area Median Income**

Borrower(s) area Median Income limits must be calculated as specified in the applicable program guides, including additional AMI calculation requirements as deemed necessary by any CHFA special programs. Under no circumstance can income lower than base pay be used to determine AMI. Some loan programs may require use of all eligible income for qualifying to determine AMI. Refer to the CHFA loan Program Outlines available at *www.chfa.org*.

C. Co-signers

Co-signers/guarantors and non-occupant coborrowers are not permitted on a Loan.

D. 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 an acceptable credit reputation is evidenced.

2. Maximum Total Debt-to-Income-Ratio

The maximum debt-to-income ratios permitted for each CHFA loan type are listed in the most recent Loan Program Outlines for that loan type.

When applicable, files must be underwritten in compliance with the Agency/Investor [i.e. FHA, VA, USDA, Fannie Mae/Freddie Mac] guidelines but cannot exceed the established CHFA debt ratios.

Underwriting Guide for that loan type.

When applicable, files must be underwritten in compliance with the Agency/Investor [i.e. FHA, VA, USDA, Fannie Mae/Freddie Mac] guidelines but cannot exceed the established CHFA debt ratios.

Credit Reports

CHFA requires Participating Lenders to obtain a tri-merge credit report on all borrowers in a format acceptable to the Agencies/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.

E. Credit Scores

Participating Lenders submitting loan applications are required to follow the credit guidelines of the Agency/Investor and may not submit a loan application to CHFA that is noncompliant with the Agency/Investor 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 Agency or the Investor for noncompliance.

F. Credit Analysis

Follow Agency guidelines for AUS and/or manual underwriting.

G. 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 reviewed, 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 by the Agency/Investor;
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.

H. Manual Underwriting

Follow Agency/Investor Guidelines.

I. Age of Documents

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

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, change of income, increase in debt ratios must be reported to CHFA. CHFA reserves the right to re-underwrite the application at its discretion.

J. 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.

3.4 Appraisal Requirements

General

A color copy of the complete property appraisal report with a physical inspection of the property is required to be submitted by the Participating Lender with each loan submission. **Appraisal waivers offered by the Agencies are not permitted.** All appraisals for Mortgage Loans must be made by appraisers who are licensed or certified by the State of Connecticut and follow Agency/Investor Guidelines. Participating Lenders must adhere to the Appraiser Independence Requirements as outlined in the FNMA Selling Guide.

1. **Forms** – The report must be prepared on a current FNMA/FHLMC appraisal form or on the appropriate VA or FHA form including any additional attachments or addenda necessary to provide an adequately supported opinion of market value.
   In the case of a property that "under appraises" the borrower, at his option, may proceed with the purchase at the higher price and pay the difference, while following all applicable Agency/Investor guidelines. Use of subordinate financing is not permitted to fill the gap.

2. **Appraised Value** - Appraisals should report the highest price which the property will bring contemplating:

   a. 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;

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

   c. Reasonable exposure is given to the property in the open market;

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

3. **Repairs** - CHFA requires all mortgaged properties to be in good repair.

   a. 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.
   b. All repairs required by the property appraisal or negotiated between the seller and buyer must be completed prior to closing, however, an escrow holdback for the repair work is permitted in compliance with Agency/Investor guidelines.

4. **The validity period** for all appraisals on existing, proposed, and under construction properties must meet all applicable Agency/Investor requirements.

5. **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.

3.5 Mortgage Insurance or Guaranty

A. CHFA requires mortgage insurance/guarantee on the property and theLenders are required to follow the guidelines of the Agency/Investor, i.e. FHA, VA, USDA, or Fannie Mae/Freddie Mac. Mortgage insurance is not required on Conventional 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, where applicable/required.

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, VA or PMI. CHFA will make a firm commitment to purchase only those loans that satisfy the requirements of this Manual.

D. **Private Mortgage Insurance (PMI) Loans (Conventional Loansover 80% LTV)**

E. **Loans Which May Be PMI-Insured** - CHFA will accept PMI insuranceon:

a. Loans originated under the Connecticut Housing Finance Authority (CHFA) Programs: *Fannie Mae (FNMA) HFA Preferred™and Freddie Mac (FHLMC) HFA Advantage® Products;*

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® loans The source of funds used to pay single premiums must meet Fannie Mae/Freddie Mac and MI company guidelines. Single premiums must be paid with the borrower's own funds or down payment assistance proceeds and cannot be financed into the first mortgage loan amount.

1. **Acceptable Insurers:**

Private Mortgage Insurance is acceptable only from companies which meet Fannie Mae (FNMA) and Freddie Mac (FHLMC) eligibility requirements.

2. **Required Coverage (follow AUS findings):**

a. CHFA HFA Preferred™ and HFA Advantage® loans with income **at or below 80% AMI** may use reduced coverage:

Loan-to-Value Ratio	PMI Coverage Required
95.01% - 97.00%	18%
90.01% - 95.00%	16%
85.01% - 90.00%	12%
80.01% - 85.00%	6%

b. HFA Preferred™ and HFA Advantage® loans with income **over 80% AMI** require the following coverage:

Loan-to-Value Ratio	PMI Coverage Required
95.01 - 97.00%	35%
90.01 - 95.00%	30%
85.01 - 90.00%	25%
80.01 - 85.00%	12%

F. FHA Insured, USDA and VA-Guaranteed Mortgage Loans

1. CHFA accepts FHA Insurance or USDA and VA Guarantees for new or existing Eligible Dwellings.

2. FHA 203(k) Limited is an allowable FHA loan type as long as the Participating Lender receives prior approval from CHFA and the Master Servicer. Full 203(k) loans may only be originated by lenders that retain servicing and have prior approval from CHFA. Loans may be insured under any other FHA insurance program with the prior approval of CHFA.

3. FHA Up-Front MIP or USDA and VA Guaranteed funding fees may be included in the first mortgage loan financed by the Authority, providing the Loan meets the guidelines of the Agency/Investor.

4. In the case of a VA Guaranteed Loan, the Participating Lender must inform the applying veteran of the restriction on the veteran's ability to assign the Loan and must obtain a Veteran's Statement-Due on Sale *(CHFA Form 018-0296)*, as required by 36 CFR Section 36.4306(a) and (e). The Participating Lender must include the signed consent statement with the application to CHFA.

G. <u>Required Down Payment</u>

1. <u>Minimum</u>

All loans insured by FHA, VA, USDA, or PMI must meet the minimum requirements of the Agency/ Investor.

3.6 Loan File Submissions

A. <u>Exhibits for Review Package/Commitment</u>

B. Please refer to the current Compliance Submission Checklist and File Order Form (CHFA Form #009-1107C) posted on the CHFA website for the list of Submission documents required for most loans.

C. For lenders that retain servicing of their loans, a complete full underwriting package must be submitted to CHFA instead of only a Compliance Review Package. See CHFA Form #009-1107W)

D. In some cases, CHFA may agree to accept a loan as a whole loan, such as in the event an affordable condominium project does not meet Investor/Agency guidelines. These are typically serviced by AmeriNat. In those cases, the lender will be required to submit a full underwriting package to CHFA. See CHFA Form#009-1107W.

Please submit all documentation in descending order through CHFA Sharefile program upload process.

1. <u>STANDARD DOCUMENTS REQUIRED FOR ALL LOAN TYPES</u>

a. CHFA Compliance Submission Checklist and File Order

b. All supporting documents required on the Compliance Submission Checklist

c. Lender's underwriter to ensure that all information on the reservation screen is completed accurately.

d. The CHFA "Additional Data" screen within LOS must be completed and a final, verified, Uniform Residential Loan Application FNMA Form 1003xml file, must be uploaded to the CHFA LOS portal for file submission. Lender is required to submit a compliance package using the Compliance Submission checklist to Sharefile via the CHFA LOS system. The compliance package will be counted as "arrived" and accepted for review only upon upload/receipt of these completed items.

2. **PRODUCT – SPECIFIC FORMS**

a. **Special Discount Products / 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**
The Eligible Borrower must be advised that CHFA's normal review time is typically 72 hours, however, delays are not the responsibility of CHFA.

3.7 Issuance of Commitment(s) for Compliance

CHFA underwriters will review each submission package for adherence with CHFA eligibility requirements. A written Commitment to Purchase (or Commitment to Fund, for Servicing Retained Lenders) will be issued on Files submitted that meet the Compliance Eligibility requirements.

The Commitment(s) will list the Servicer for each loan (first mortgage and any subordinate financing).

Loans will be purchased in accordance with the Commitment and pursuant to Section 6 of this Manual. The complete closed loan package must be submitted for final review/purchase far enough in advance of the reservation expiration date to allow time for review before purchase/funding.

A. Escalation Process

Requests will be accepted from the lender's Underwriter/Underwriting Manager **ONLY** and must adhere to the following process:

- Submit email request to: Escalations@chfa.org.
- The subject line should list the borrower's last name and CHFA's loan number.
- The email must list issues/concerns and lender's rationale.
- Do not send documents via email.
- The file should already contain any necessary documentation to support the escalation request.
- Files will be reviewed by CHFA Management on a first-come first-served basis and the lender should receive a reply via a call/email within 24-48 hours of escalation request.
- Should further conversation be required, the CHFA Underwriting Manager will schedule a call with the lender's Underwriter or Underwriting Manager who submitted the request.

- Once a CHFA final determination is made, the lender will be contacted via phone/email and will subsequently receive either a Missing Exhibits Letter or Commitment from CHFA.

The escalation decision made by CHFA Management will be final and no further discussions will be considered.

3.8 Electronic Signatures

A. "Wet" or ink signatures are required on loan documents executed by borrower(s) applying for first and subordinate mortgage loan financing from CHFA, however, when applicable, CHFA will allow electronic signatures on some documents pursuant to current mortgage industry requirements.

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, including the Tax- Exempt Financing Rider (CHFA Form #053-1199)).*

b. CHFA DAP Subordinate Mortgage Note and Deed

c. CHFA TTO Subordinate Mortgage Note andDeed

d. Federal Recapture Tax Notice- Method to Compute *(Closing Disclosure)*

e. CHFA Down Payment Assistance Commitment *(Executed at closing)*

f. TRID - Closing Disclosure (CD)

g. Final Uniform Mortgage Loan Application (1003)

h. Borrower Signature Affidavit *(CHFA Form 014-0718)*

2. Electronic signatures are accepted on the following CHFA documents where applicable:

a. Borrower Eligibility Certificate *(CHFA Form 014-1107)*

b. Down Payment Assistance Program/s - Applicant Notice *(CHFA Form DAPDiscl **or** TTODiscl, if applicable)*

c. Down Payment Assistance Program/s - Borrower's Certificate *(CHFA Form DAP95-05 **or** TTO95-05, if applicable)*

d. Federal Recapture Tax Notice – Mortgagor Potential Tax (*Application Disclosure) (CHFA Form 051-0597)*

e. Sales Price and Acquisition Cost Worksheet *(Application Disclosure) (CHFA Form 017-0694)*

SECTION 4 – LOAN CLOSING

4.1 Terms and Conditions of First Mortgage Loans

A. Priority of Lien

Each first mortgage loan must be secured by a valid first lien on the Eligible Dwelling. The property must be free and clear of all prior encumbrances and liens except as approved by CHFA, and no rights may be outstanding that could give rise to such liens.

See Loan Program Outlines for Subordinate Financing Lien Priority Requirements.

B. Validity and Enforceability

The note, mortgage deed, and any other instruments securing the Loan must be legal, valid and binding obligations of the borrower, enforceable in accordance with their terms, free from any right of set-off, counterclaim or other claim or defense. The terms of the Loan may not be modified, amended, waived or changed, except as approved by CHFA.

CHFA does not allow anyone that is not a mortgage loan applicant (i.e. borrower or co-borrower) to sign the CHFA Mortgage Note or the CHFA Mortgage Deed on any CHFA Residential Mortgage loan transaction. This includes a spouse, fiancé or any other member of the household.

No other person or entity may be added to the CHFA Mortgage Deed.

C. Prepayment Penalty and Late Charges

Prepayment penalties are not permitted on any CHFA Loan. A Loan may provide for a late charge in an amount not to exceed 5% on payments that are 15 days or more past due. Follow investor/insurer guidelines.

D. Escrow Payments

Each payment must provide for the monthly collection of escrow payments for real estate taxes, mortgage insurance premiums, hazard insurance premiums, and flood insurance premiums, if applicable, in addition to the monthly installment of principal and interest. The Participating Lender or Servicer shall pay interest on escrow deposits at a rate not less than the minimum set forth in applicable statutes or regulations.

E. Interest Rate

The interest rate applicable to any loan shall be the interest rate that is shown on the Mortgage Loan Commitment.

F. Forms

Each Loan must be executed on printed forms approved by FHA, USDA, or VA, where applicable, or on FNMA/FHLMC uniform instruments approved for use in the State. The Tax-Exempt Financing Rider *(CHFA Form #053-1199)*, must be executed and recorded. Condominium, PUD, and one to four family riders, as appropriate, must be executed and recorded. The promissory note for each loan must be endorsed by the Participating Lender to CHFA unless the loan is being released for servicing pursuant to Section 6.2.C.

G. Compliance with Laws

All requirements of federal and state laws, rules and regulations now existing or hereafter adopted, applicable to mortgages and mortgage loan transactions, including without limitation, truth-in-lending laws, equal opportunity laws, usury laws and laws regulating interest on escrow accounts, must be complied with, and the mortgage and the Participating Lender must not violate any such laws, rules or regulations. In the case of any conflict between the requirements of this Manual and any federal or state law, rule or regulation, the provisions of federal or state law, rule or regulation shall govern and the Manual will be deemed to be amended to conform thereto. CHFA must be notified of any such conflict known to the Participating Lender.

4.2 Closing Costs / Fees

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, 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 in the Closing Costs Details, Loan Costs, Section A. Origination Charges of the LE/CD are listed below:

- Lenders may charge a total of $1,295 as the maximum ancillary fees/origination charge to be disclosed in the Origination Charges Box on the LE andCD.
  - Should a loan not close within 60 days of Reservation through no fault of the lender, Participating Lenders may collect and retain one (1) extension fee of 0.25% of the loan amount. No additional extension fees may be charged.
- In addition to the above fees:
  - 203(k) Standard – lenders may collect and retain an Origination Charge of 2.50%
  - 203(k) Limited – lenders may collect and retain Origination Charge of 1.50%
  - Supplemental Origination Charge – the greater of $350or 1.50% of the cost of the improvements. (see HUD Form 92700 for max.)
- For maximum fees on CHFA's subordinate financing programs, refer to the appropriate Loan Program Outlines for allowable fees/costs.

First Mortgage

- Tax Service Fee = Up to $85.00 depending on servicer
- MERS = Up to $24.95 (Not Applicable for Loans Delivered to AmeriNat)
- 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.

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

1. Commitment fee
2. Discount Points (unless discounted rate is offered by CHFA)
3. Fees for guaranteeing the rate
4. Ineligible real estate broker fees

C. **Seller Paid Closing Costs**

Seller paid closing costs are permitted to the extent of First mortgage Agency/Investor guidelines.

D. **Fees**

1. All fees collected from the Borrower, including but not limited to, origination charges, shall not in their aggregate exceed the amount allowed by the program. No additional fees may be charged by the Participating Lender to either the seller or the borrower without prior written approval from CHFA.

2. The Participating Lender will be permitted to recover from the borrower all reasonable out-of-pocket expenses incurred in the Loan application in an amount not to exceed 100% of actual cost. Out-of-pocket expenses include those cash expenditures incurred by the Participating Lender to pay for outside services rendered, such as appraisals by outside independent fee appraisers and credit reports by independent credit reporting agencies.

4.3 Title Insurance

A. **Original Mortgagee's Policy**

The mortgage must be covered by a mortgagee's title insurance policy which shows good and marketable title to the mortgaged property. The benefits of such insurance must run to CHFA and must be issued on a form consistent with the standard ALTA form by a title insurer acceptable to CHFA. The policy must be in an amount equal to the original principal balance of the Loan. The original policy must accompany the Loan purchase package and must be signed by a licensed agent. The borrower shall be advised of the availability, coverage, and cost of simultaneous issuance of owners' title insurance; however, owners' coverage is not required by CHFA.

B. Additional Requirements – Schedule A

1. The named insured should be in the following form: "(Participating Lender) and/or Connecticut Housing Finance Authority, its successors and/or assigns, as their interest may appear". (The following abbreviation is also acceptable: "…as their interests may appear" = **ATIMA**).

2. Recording data for both the mortgage deed and the assignment of mortgage (only AmeriNat serviced or lender service retained) to CHFA must be reflected.

3. **Mortgage Electronic Registration System (MERS)** - CHFA is not a member of the Mortgage Electronic Registration System. Assignment of CHFA mortgage loans in MERS is strictly prohibited for AmeriNat serviced or service retained loans.
   a. CHFA Mortgage Loans that are **AmeriNat or Service Retained** must have a concurrent paper assignment in the name of the Connecticut Housing Finance Authority. Please check the commitment to confirm servicer information.
   b. CHFA Servicer - **Idaho Housing and Finance Association** is a member of MERS, and IHFA loans can be assigned in **MERS to IHFA #1009670.** The use of MERS is preferred.
   c. This policy may be amended by CHFA at will to accommodate the sale of mortgage loan pools to FNMA, FHLMC, GNMA or any other CHFA designated authorized entity.

4. The title policy shall be endorsed from time to time as applicable to show mortgage modifications and other correcting documents which may be recorded.

C. Additional Requirements – Schedule B

1. If required, the survey must be an exhibit to the title insurance policy.

2. Exceptions for agreements or restrictive covenants of record relating to cost, use, set-back, minimum-size, building materials, architectural, aesthetic or similar matters (other than single family use restrictions on two-to-four family properties) are acceptable to CHFA if:

   a. There is no reversion or forfeiture of title in the event of violation hereof;
   b. The terms and provisions of such agreements or restrictive covenants are commonly and customarily acceptable to prudent lending institutions in the area in which the property is located; and
   c. No violation of any such agreement or restrictive covenant exists.

3. Covenants, restrictions, agreements and other encumbrances must be covered by title policy language which affirmatively ensures that a breach or violation of such covenants, restrictions, agreements and encumbrances will not result in a forfeiture or reversion of title.

The following additional exceptions will be acceptable to CHFA:

a. Any mutual agreement of record which establishes a joint driveway or an adjoining property, but only if the easement agreement allows all present and future owners, their heirs and assigns forever, unlimited use of the driveway or party wall without any restriction other than restrictions by reason of the mutual easement owner's rights in common and duties as to joint maintenance as applicable.

b. Encroachments on the subject property by improvements on adjoining property where such encroachments extend one foot or less over the property line, have a total area of fifty square feet or less, do not touch any building and do not interfere with the use of any improvements on the subject property or the use of property not occupied by improvements.

c. Liens for real estate or other taxes and assessments not yet due and payable.

d. Normal utility easements benefiting the subject property.

D. Standard Endorsements

The title insurance policy shall include the following standard endorsements, on forms substantially the same as those indicated herein:

1. Residential Mortgage Endorsement – CTA Form 001 (where applicable).
2. Environmental Lien Endorsement – ALTA Form 8.1.
3. Condominium Endorsement – ALTA FORM 4 (where applicable).

4.4 Hazard/Flood Insurance

A. Minimum Coverage

Follow Agency/Investor Guidelines. An Eligible Dwelling securing the Loan must be covered by hazard insurance as follows:

B. Maximum Deductibles

See Hazard Insurance Guide in Loan Program Outlines at www.chfa.org.

C. **Loss Payee**

Refer to: Hazard Insurance Guide in Loan Program Outlines at www.chfa.org

D. **Policy Requirements**

1. All policies of hazard insurance must contain or have attached a standard mortgagee clause naming The Connecticut Housing Finance Authority C/O, "(The loan servicer) its successors and/or assigns as their interest may appear" as the insured. The following abbreviations are acceptable:

   a. "its successors and/or assigns" = **ISAOA**
   b. "as their interest may appear" = **ATIMA**

2. The policy must provide that the insurance carrier will provide written notice to the loan servicer at least ten (10) days in advance of the effective date of any change or cancellation of the policy.

3. The Participating Lender shall give any necessary notices in order to fully protect the interest of CHFA as first lienholder under the terms of the policy and applicable law.

4. Refer to Section 6 – Loan Purchase for additional mortgagee clause information as follows: Section 6.3B – Release of Servicing for Conventional Loans *(Non-Government Insured Loans)* or Section 6.3.C – Release of Servicing and Loan Funding for Conventional Loans and Government Insured Loans.

Terms and Conditions of Subordinate Loans add cannot subordinate in case of refinance

A. Priority of Liens

1. CHFA Down Payment Assistance Program (DAP) Loans must be in 2nd position except when prior approval by CHFA is obtained.
2. CHFA Time to Own (TTO) program loans may be in any junior lien position.

B. Term

1. CHFA Subordinate Loans must be at least $3,000 minimum. Please refer to the appropriate Loan Program Outlines for additional information parameters.

C. Subordination is not allowed

1. If current CHFA mortgage is refinanced, CHFA DAP and TTO cannot be subordinated. They must be paid off at the time of refinance.

D. Late Charge

1. There is a $5 late charge for each monthly installment, if applicable, paid more than 15 days after the due date.

E. Forms

1. Lenders must utilize the appropriate CHFA Subordinate Financing closing documents and forms for the program(s) selected. Most up to date forms may be obtained on CHFA's website.

F. Interest Rate

1. The interest rate applicable to any Loan shall be the interest rate that is shown on the Mortgage Loan Commitment.

G. Title Insurance

1. Title insurance is not required on CHFA subordinate loans

H. Hazard/Flood Insurance

1. For the DAP and TTO or any other CHFA subordinate financing program, the first mortgage required insurance policies must list, as an additional insured, the mortgagee as follows:

The Connecticut Housing Finance Authority, its successors and/or assigns, as their interest may appear, C/O **Capital For Change, Inc.** (C4C), 10 Alexander Drive, Wallingford, CT 06492

The following abbreviations are acceptable:

its successors and/or assigns = ISAOA
as their interest may appear = ATIMA

4.5. Closing Requirements

A. Scheduling

Participating Lenders are expected to close Loans in accordance with their established practices. After receipt of a Commitment, the Participating Lender shall make advance arrangements with the borrower to ensure agreement and understanding as to the amounts of and who will pay closing costs, prepaid items and other escrows, costs and fees. The loan may not be scheduled for closing until the Lender has received a CHFA loan commitment letter. The Participating Lender should advise the borrower, at least twenty-four hours prior to closing, of the total amount of funds which the borrower must have at closing and the form in which such funds are to be made available.

B. Compliance with Laws

1. The Participating Lender shall be familiar with the Real Estate Settlement Procedures Act (RESPA) and other federal or CT state laws applicable to closing procedures for home mortgage loans and must comply with their provisions.

2. None of the Mortgage loans are subject to, covered by, or in violation of the Home Ownership and Equity Protection Act of 1994 (HOEPA) and its implementing regulations (Reg. Z) or classified as “high cost”, “covered”, “high risk”, “threshold” or “predatory loans” under any other applicable state, federal or local law, including any predatory or abusive lending laws (or similarly classified loans using different terminology under a law imposing heightened scrutiny or additional legal liability for residential mortgage loans) or in violation of any state law or ordinance comparable to HOEPA or Anti-Predatory Lending Laws.

C. Escrows

1. Escrows for real estate taxes, homeowner’s insurance, flood insurance and mortgage insurance are required on all CHFA loans.

D. Closing CHFA Subordinate loans

All CHFA downpayment/closing cost assistance program loans (CHFA Subordinate Financing) must be closed in the name of the Connecticut Housing Finance Authority, 999 West Street, Rocky Hill, CT, 06067. Loans closed in the name of the Connecticut Housing Finance Authority do not require an assignment.

DAP Loans must be in 2nd lien position (unless prior approval of Authority is granted to be in a 3rd position).

TTO Loans may be in any junior lien position.

E. <u>Completed Closing Documentation for First Mortgage and Subordinate Financing</u>

1. The Participating Lender shall verify that all Loan closing documents are properly executed and witnessed and that signatures on all documents conform with one another and to those on the original application.

2. Any erasures or corrected errors which appear on the note or mortgage deed must be initialed by all parties who signed the documents.

3. Documents executed pursuant to a power of attorney should be accompanied by a certified copy of the recorded power of attorney and must meet agency/investor guidelines.

4. The Participating Lender must verify that the mortgage deed and assignment of mortgage are complete, correct, properly acknowledged and otherwise in recordable form.

5. **<u>Mortgage Electronic Registration System (MERS)</u>** - CHFA is not a member of the Mortgage Electronic Registration System. Assignment of CHFA mortgage loans serviced by AmeriNat in MERS is strictly prohibited.

   a. CHFA First Mortgage Loans that are **<u>AmeriNat or Service Retained</u>** <u>(by lender)</u> must be assigned in the name of the **Connecticut Housing Finance Authority via paper assignment.**

   b. CHFA Servicer - **<u>Idaho Housing and Finance Association</u>** is a member of MERS. It is preferred that IHFA First Mortgage loans are assigned in **MERS to IHFA #1009670.**

   c. This policy may be amended by CHFA at will to accommodate the sale of mortgage loan pools to FNMA, FHLMC, GNMA or any other CHFA designated authorized entity.

6. The Participating Lender shall confirm that any special CHFA Commitment instructions or conditions have been complied with.

F. <u>Mortgage Insurance and Guaranty Requirements</u>

1. All required mortgage insurance or guaranty forms and certificates shall be properly completed and executed.
2. Evidence shall be obtained indicating that any special terms and conditions stated by the insurer or guarantor on its commitment have been satisfied.
3. The Participating Lender shall promptly notify the mortgage insurer of the assignment of the mortgage:

a. Proof of the electronic mortgagee change for FHA loans.
b. The Loan Sale Notice form is required for Conventionalloans with Private Mortgage Insurance.
c. No form or notice is required for VA loans.
d. USDA Form 3555-11, Guaranteed Rural Housing Lender Record Change.

G. TILA / RESPA Integrated Disclosures (TRID)

The borrower and the seller should receive appropriate final itemized settlement statements of loan terms and closing costs. (TILA RESPA Integrated Disclosure Form). Signed copies of the forms must be obtained.

H. Recording

Following the closing, the mortgage deeds together with any necessary riders and the assignment of mortgage shall be promptly recorded on the land records of the town(s) in which the property is located.

SECTION 5 – ADDITIONAL INFORMATION FOR LENDERS

5.1 Qualification of Participating Lenders

General

A "Participating Lender" is a lending institution that cooperates with CHFA in making funds available under its' home mortgage program by making and/or servicing mortgage loans that CHFA has agreed to purchase.

A. Lender Capability

To be approved as a Participating Lender to originate mortgage loans, a lending institution must meet the following criteria:

1. Have in Connecticut, a brick-and-mortar facility with the capacity and personnel to originate and close mortgage loans, as determined by the Authority;
2. In the case of a non-depository financial institution, maintain a minimum tangible net worth of $250,000 or such amount (if higher) as the State of Connecticut Department of Banking may require as a condition of licensing as a mortgage lender or provide a letter of credit, available and otherwise uncommitted line of credit, bond or other financial instrument acceptable to the Authority totaling such amount;
3. Be in compliance with applicable federal and state laws, regulations promulgated thereunder and any licensing requirements by agencies of government having jurisdiction;

4. Maintain quality control and management systems to evaluate and monitor the overall quality of its origination activities: and
5. Execute a Master Commitment Agreement for mortgage purchase

B. Servicing Capability

To be approved by CHFA as a Participating Lender to service Authority loans, the institution must meet the following criteria:

1. Have the capacity and personnel to service mortgage loans, as determined by the Authority;
2. Demonstrate a proven ability to service the type of mortgages for which Authority approval is being requested;
3. In the case of a licensed mortgage servicer, maintain a minimum tangible net worth as required by the Connecticut Department of Banking as a condition of licensure or provide a letter of credit, available and otherwise uncommitted line of credit, bond or other financial instrument acceptable to the Authority totaling such amount;
4. Be in compliance with applicable federal and state laws, regulations promulgated thereunder and any licensing requirements by agencies of government having jurisdiction;
5. Maintain quality control and management system systems to evaluate and monitor the overall quality of its servicing activities; and
6. Execute a Home Mortgage Servicing Agreement and/or other contracts as determined by the Authority.

C. Other Requirements

1. The Authority may remove from the list of approved participating lenders any lending institution that has (i) failed to commit, close and/or service mortgage loans in accordance with the Act, these procedures, the Master Commitment Agreement for Mortgage Purchases, and/or the Home Mortgage Servicing Agreement or other agreement governing the closing, origination, or servicing of loans for the Authority, or (ii) ceased to meet the criteria for becoming a participating lender. The Authority may terminate the Master Commitment Agreement for Mortgage Purchases and/or the Home Mortgage Servicing Agreement or other agreement governing the closing, origination, or servicing of loans for the Authority in accordance with the provisions thereof.

2. Participating lenders shall not restrict applications for loans to any segment of all loan products offered by the Authority under the Homebuyer Mortgage Program, except that for rehabilitation mortgage loans and construction loans. A participating lender need not accept applications for rehabilitation mortgage loans and need not accept applications for mortgage loans on homes located outside its normal geographic lending areas nor for loan products which the Authority did not offer at the time the participating lender was approved as a participating lender. The Authority may nonetheless approve a participating lender which offers rehabilitation mortgage loans or construction loans but does not offer all of the other loan products offered by the Authority. The Authority

shall have the discretion to deny a request by a lender to become a participating lender based on the number of approved participating lenders and the geographic areas served by the approved participating lenders.

The Authority shall require a newly approved participating lender, from time to time, to attend training sessions as the Authority deems appropriate.

a. A participating lender may sponsor a “broker” or “third-party originator” to originate mortgage loans with prior written approval of the Authority. The sponsoring lender must be in good standing in order to sponsor a broker or third-party originator. In addition to such other requirements as the Authority may from time to time establish in its Operating Manual, to be approved by the Authority as a broker/third-party originator to originate mortgage loans , the broker must meet the same criteria for a participating lender to originate mortgage loans as described in subsection (A)above, except as follows:
b. The broker/third-party originator may have a minimum tangible net worth of $50,000
c. The broker may be required to execute a Master Commitment Agreement for Mortgage Purchases or other agreement setting forth its obligations to the Authority;
d. The broker/third-party originator may be required to attend a training session(s)prior to originating any Authority loans on behalf of the sponsoring participating lender and any other training sessions as the Authority deems appropriate; and
e. The broker/third-party originator shall conform to guidelines as required by the Connecticut Department of Banking and/or the Authority regarding licensing required to act as a broker/third-party originator in the State of Connecticut.

An approved broker/third-party originator may originate home mortgage loans on behalf of a sponsoring participating lender. However, the sponsoring participating lender shall remain fully responsible to the Authority for its obligations pursuant to the Authority’s Procedures, the Authority Homebuyer Mortgage Program Operating Manual, and a Master Commitment Agreement for Mortgage Purchases. The Authority reserves the right to limit the number of brokers/third party originators and may rescind approval of a broker/third-party originator at any time with (prior) written notice.

D. Removal of a Participating Lender

CHFA may terminate the Master Commitment Agreement for Mortgage Purchases and/or the Home Mortgage Servicing Agreement according to their terms, respectively, and remove from the list of approved Participating Lenders any lending institution that has:

1. Failed to commit close and/or service Mortgage Loans in accordance with the Act, the Procedures of this manual; and the Master Commitment Agreement for Mortgage Purchases, and/or the Home Mortgage Servicing Agreement or,

2. Ceased to meet the criteria for becoming a participating lender. CHFA may terminate the Master Commitment Agreement for Mortgage Purchases and/or the Home Mortgage Servicing Agreement in accordance with the provisions thereof. Such removal may take place thirty (30) days after written notice to such participating lender specifying the reason for the removal.

E. Lending Areas

Participating Lenders are not required to go beyond their normal geographic lending areas.

F. Training Sessions

After CHFA has approved a Participating Lender, the Participating Lender shall promptly attend appropriate training sessions with CHFA staff prior to originating a CHFA loan. The training session(s) shall cover CHFA's requirements in regard to originating and closing loans, providing CHFA with the required loan documents after closing, and, where appropriate, servicing requirements. CHFA requires training to be attended annually and shall have the right to require retraining sessions when CHFA deems it appropriate.

5.2 Distribution of Mortgage Funds

A. Availability of Funds

CHFA will not issue separate allocations to any particular Participating Lenders. A funds reservation system which allows the borrower to apply for a CHFA Loan at the Lender of their choice will be used.

CHFA reserves the right, however, to set aside a portion of the proceeds of any issue of bonds on an uncommitted basis for any purpose of the Program. Specifically, CHFA expects to set aside certain proceeds from each issue for the purpose of making Mortgage Loans in Targeted Areas.

1) The Participating Lender will determine if the prospective mortgagor is qualified as an Eligible Borrower. Such preliminary determination shall include the Participating Lender's examination of (i) the prospective borrower's written purchase agreement concerning the property to be financed, (ii) appropriate documentation required to determine income for eligibility and qualifying, and (iii) any other documentation or information required to determine eligibility.

2) After the Participating Lender has determined an applicant's eligibility for CHFA financing, the lender will reserve mortgage funds using the CHFA On-line Reservation System.
    (a) The reservation of funds is valid for ninety (90) days unless extension is requested by the Participating Lender and granted by CHFA.

3) The Participating Lender must notify CHFA of any cancellation of reserved funds so that the funds may be made available for others. No substitution of borrower will be permitted for served funds. No substitution of property will be permitted for reserved funds.

B. Reservation of Loan Funds

CHFA will administer the reservation program and Participating Lenders may accept Loan applications from prospective borrowers.

CHFA reserves the right, however, to set aside a portion of the proceeds of any issue of bonds on an uncommitted basis for any purpose of the Program. Specifically, CHFA expects to set aside certain proceeds from each issue for the purpose of making Mortgage Loans in Targeted Areas.

C. Free Accessibility to Funds

Applications for Loans shall be based on eligibility and not on special relationships between a Participating Lender and particular real estate brokers or developers. A Participating Lender may not deny a Loan to an Eligible Borrower solely because the Eligible Borrower is not a depositor or customer of the Participating Lender. Neither may the Participating Lender limit the availability of CHFA financing by denying an application based on the fact that the applicant does not belong to a specified group of the public such as employees of certain organizations.

5.3 Funds Available for Targeted Areas

A. General

In accordance with Federal requirements, CHFA will make funds available for Eligible Dwellings located in Targeted Areas. CHFA will exercise due diligence in making Mortgage Loans in Targeted Areas. Participating Lenders under CHFA's direction shall assist in advising potential Eligible Borrowers of the availability of funds in Targeted Areas.

B. Eligibility

Mortgage Loans for Eligible Dwellings located in Targeted Areas must comply in all respects with the requirements in Section 3 and elsewhere in the Manual for all Mortgage Loans except for the requirement that an Eligible Borrower may not have had an ownership interest in the Borrower's principal residence in the three years preceding the closing date for the Mortgage Loan.

5.4 Retention and Inspection of Records

Any documents required by this Manual or by State or Federal law, not delivered to CHFA pursuant to a Commitment or purchase of a Loan, must be retained by the Participating Lender or Servicer for at least two years after the date of purchase by CHFA, or such longer period as may be required by law, and, if requested by CHFA, for a reasonable period thereafter. If during such retention time CHFA requests original or certified copies of such documents, the same must be delivered to CHFA. Where appropriate, such documents may be kept on photographic media, in electronic format acceptable to the Authority, or in another manor which complies with state law.

Participating Lenders shall maintain accurate records for each Authority mortgage loan application which is declined.

Participating Lenders must make all records and books maintained in connection with Loans available for inspection by CHFA upon request during reasonable business hours.

The absence of documentation required to be retained by this section may, at the option of CHFA, be construed to conclusively evidence a defect in such documentation under the Master Commitment Agreement for Mortgage Purchases.

5.5 The Federal Recapture Tax

Congress enacted legislation in 1988, subsequently amended in October of 1990, to recapture a portion of the “subsidized amount” from home buyers who receive qualified mortgage bond assistance after January 1, 1991. This includes all buyers who use CHFA Mortgage Revenue Bond (MRB) Loans and Mortgage Credit Certificates (MCC), dispose of an interest in their residence within nine (9) years of purchase, and whose incomes substantially increase. The amount of Recapture Tax that Borrower(s) might have to pay depends on how much their income has increased, their family size at the time of sale, the original amount of their mortgage, the length of time they owned their home and any gain realized on disposition of the home. The recapture amount is the lesser of:

(1) 50 percent of the gain realized on disposition, or
(2) A percentage of the subsidized amount. The percentage is the product of the holding period percentage and the income percentage (both discussed below).

The Borrower(s) is responsible for calculating and paying the Recapture Tax, if any, as additional Federal tax liability for the tax year in which the interest in the home is disposed. However, Participating Lenders are required to provide homebuyers with the Authority’s “Notice of Potential Recapture Tax Form 051-0597” and “Method to Compute Recapture Tax Form 052-1195”.

For additional information, visit www.chfa.org.

SECTION 6 - Loan Delivery/ Purchase

6.1 Delivery of Service-Released Loans

General
A Participating Lender who does not service CHFA mortgages must submit all loan documentation to the assigned Servicer listed on the Loan Commitment Letter as outlined in the applicable "Delivery Checklist" form.

A. AMERINAT - Release of Servicing

(*Conventional and Government Loans)*

1. CHFA has engaged AmeriNational Community Services, LLC ("AmeriNat") to service CHFA loans acquired from service-release lenders. Participating Lenders releasing servicing to AmeriNat, will deliver Loan files to AmeriNat **within ten (10) days of the loan closing** by **s**ubmission of all loan documentation pursuant to the **"Delivery Checklist Form"** *(CHFA Form IHFA Chkl* ***or*** *AmeriNatChk**l**)* as published on the CHFA website, *chfa.org* and located under "Lender / Lender Forms.

   a. The Participating Lender will find complete servicer information for AmeriNat, published on the CHFA website, *chfa.org* and located under "Lender / Mortgage Program Resources / **CHFA Servicer Guides**".
   b. If the First Mortgage Loan sent to AmeriNat includes CHFA Downpayment Assistance Program ("DAP") Loan funding or a Time To Own-Forgivable ("TTO") Loan, Participating Lenders must utilize the Section 3.2 of the Operating Manual, "Downpayment Assistance Program/s" (CHFA Form C4C DAP TTO) published on the CHFA website, chfa.org and located under "Lender / Mortgage Program Resources / CHFA Servicer Guides". This guide contains complete Servicer and CHFA DAP/TTO documentation remittance requirements.

2. **Remitting Escrow Funds to AmeriNat -** CHFA will net Escrow Funds collected and held by the Participating Lender from the Loan Purchase Amount and wire the Escrow Funds netted out to AmeriNat.

3. **Final Loan Documentation Submission** - All original and copies of recorded loan documentation shall be submitted within 90 days of Loan Closing to:

a. **AmeriNat**
Attn: Loan Setup Dept.
217 South Newton Avenue - Albert Lea, MN 56007

b. Participating Lenders will also within 90 days of Loan Closing submit copies of the Loan documents in a SINGLE PACKAGE per the CHFA Finance Department's **"Closed Loan Documentation Checklist"** *(CHFA Form 009-0810)* published on the CHFA website, *chfa.org* and located under "Lender / Lenders Forms" within 90 days of Loan Closing to:

Connecticut Housing Finance Authority
Attn: Finance Dept., 999 West Street – Rocky Hill, CT 06067
~ or ~ Email: *PCDocs@chfa.org*

4. **Mortgage Electronic Registration System (MERS)** - CHFA is not a member of the Mortgage Electronic Registration System. Assignment of CHFA mortgage loans in MERS will not be purchased.

a. CHFA Mortgage Loans that are serviced by **AmeriNat** *(or Service Retained)* must be assigned in the name of the Connecticut Housing Finance Authority.

b. This policy may be amended by CHFA at will to accommodate the sale of mortgage loan pools to FNMA, FHLMC, GNMA or any other CHFA designated authorized entity.

B. MORTGAGE-BACKED SECURITY ("MBS") SERVICERS- Release of Servicing (*Conventional and Government Loans)*

This section relates to servicing transfers for loans delivered to one of three MBS Servicers: Idaho Housing and Finance Association ("IHFA"); U.S. Bank National Association ("US Bank"); and Lakeview Loan Servicing, LLC ("Lakeview") such as:

- Conventional Loans:
  - CHFA Uninsured
  - HFA Preferred™ Program, PMI - (FNMA)
  - HFA Advantage® Program, PMI - (FHLMC)
- Government Loans: FHA, VA, USDA (GNMA)
  (*Service Release Lenders only)*

1. The CHFA Commitment Letters provided to the Participating Lenders will specify the Mortgage Loans to be assigned and sold to one of MBS Servicers.

2. Immediately following the Mortgage Loan closing, the MBS Servicer will be responsible for purchasing the first mortgage and Service Released Lenders should follow the instructions below (Loan Documentation Submission).

   a. If the First Mortgage Loan includes CHFA Downpayment Assistance Program/s Loan or a Time To Own-Forgivable ("TTO") Loan funding, the Participating Lender must, email the completed CHFA "**Loan Purchase Request Form**" *(CHFA Form 066-0408)* to the CHFA Finance Department at: *fin-fax.purchase@chfa.org* pursuant to Section 6.1 concurrent with the document delivery to the MBS Servicer.
   b. Participating Lenders must utilize the "**CHFA Downpayment Assistance Program/s Servicing Guide**" *(CHFA Form C4C DAP TTO)* published on the CHFA website, *chfa.org* and located under "Lender / Mortgage Program Resources / CHFA Servicer Guides". This guide contains complete Servicer and CHFA documentation remittance requirements.

3. Each MBS Servicer shall be entitled to rely upon the Participating Lender as assembler and preparer of all Mortgage Loan documents and is under no duty whatsoever to investigate or confirm any of the information set forth therein as to its honesty, accuracy, or completeness with respect to the origination, underwriting, and closing of the loan file. The MBS Servicer reviews the pertinent documents necessary to ensure the loan meets secondary marketing guidelines and is under no obligation to re-verify the information contained in such documents for accuracy.

C. Loan Documentation Submission

The Participating Lender will provide the MBS Servicer with the closed loan file immediately after closing by uploading the loan file via the MBS Servicers portal. Lenders should refer to the Participating Lender agreement with the respective MBS Servicer for specific instructions on document delivery. Each MBS Servicer also provides a document checklist and a Lender Guide for additional instructions and assistance. Below is a summary of each MBS Servicer's requirements:

1. For IHFA, use their Lender Connection portal *lenderct.com* or Lenders may send files to IHFA by overnight mail:

   Idaho Housing and Finance Association
   565 West Myrtle Street
   Boise, ID 83702

   The Participating Lender must include the "Delivery Checklist" Form in stacking order, with the post-closing package. "Delivery Checklist Form/s" (*CHFA Form IHFA Chkl or CHFA Form AmeriNatChkl*), as applicable, can be found on the CHFA website, chfa.org under the Lender section as "CHFA Approved Servicer – Idaho Housing and Finance Association Reference Guides".

2. For US Bank, all files must be delivered electronically via AIQ Web and may be uploaded in the Participating Lender's preferred stacking order. All closed loan files must have a U.S. Bank loan number before they can successfully board onto AIQ Web. For training, questions, and access to AIQ Web, please email US Bank at hfadocvelocityassistance@usbank.com. All Original Notes should be delivered to:

   U.S. Bank Home Mortgage
   Attn: HFA Note Vault
   9380 Excelsior Blvd., 6th Floor
   Hopkins, MN 55343

3. For Lakeview, image files must be in PDF or TIFF formats only, PDF is preferred. Lakeview has a specific naming convention; please refer to the Lakeview lender guide. All electronic files can be uploaded to Lakeview's Delegated Correspondent Portal. The Original Note as well as complete full files can also be mailed to:

   Lakeview Loan Servicing, LLC
   Attn: Lakeview Correspondent
   507 Prudential Rd
   Mail Stop S142
   Horsham, PA 19044

   Lakeview will require a Bailee Letter to be submitted with the delivery of the Original Note. Bailee letter must be issued in the name "Lakeview Loan Servicing, LLC or its Custodian, Wells Fargo"

Upon receipt of loan files through the MBS Servicer's portal or the receipt of the hardcopy loan files *(where permitted),* the MBS Servicer will initiate set up of the loan on its servicing system to begin servicing of the loan. The MBS Servicer will notify the Participating Lender of any purchase conditions to be cleared.

1. **Assignment of Mortgage must be** in the format of "Pay to The Order of" MBS Servicer name "Without Recourse":

    i. For IHFA:

    Idaho Housing and Finance Association
    P.O. Box 7899 - Boise, ID 83707
    ~ **or** ~ MERS**: IHFA 1009670**

    ii. For US Bank:

    U.S. Bank National Association its successors and/or assigns
    2800 Tamarack Road
    Owensboro, KY 42301
    ~ or ~ MERS: **US Bank MERS ORG – ID #1000212**

    iii. For Lakeview:

    Lakeview Loan Servicing, LLC
    Attn: Lakeview Correspondent
    507 Prudential Rd, Mail Stop S142
    Horsham, PA 19044
    ~ or ~ MERS: **LAKEVIEW LOAN SERVICING, LLC 1010298**

2. Conditions *(files with document deficiencies*) are communicated by the MBS Servicer through their portal and/or by an email sent to the Participating Lenders assigned contact person.

3. Participating Lenders must submit corrective and/or missing documentation to the MBS Servicer as soon as possible. Faxed documentation submitted to clear conditions must include a fax cover sheet for each loan, clearly indicating the MBS Servicer's loan number.

4. Funding: Complete compliant loan files are purchased daily. If the loan is not purchased within 15 days of the first payment due, the first payment will be netted out of purchase amount (P&I only) and the Lender must retain the first payment.

a. Idaho Housing and Finance Association will generate a Purchased Loan Summary Statement for each loan purchased which can be reviewed and printed through the Lender Connection portal *lenderct.com* – this statement will account for the monthly escrow.

b. U.S. Bank National Association – *tba*

c. Lakeview Loan Servicing, LLC – *tba*

5. Final recorded documents must be sent to the MBS Servicer **within 90 days of loan purchase**.

6.2 Service-Retained Loans - Documentation Requirements

Loans released for servicing shall follow the Submission of Loan Documentation as described in Section 6.3. "Servicing Released Loans".

A. Lenders who Retain Servicing:

1. Service-Retained Lenders remain responsible for the completeness and security of the Loan Closing file and all collateral documents contained therein. Each Loan Closing file shall contain all applicable documents properly completed, utilizing the applicable **"Delivery Checklist Form"** *(CHFA Form IHFA Chkl* ***or*** *CHFA Form AmeriNatChkl)* as applicable, and published on the CHFA website, chfa.org and located under "Lender / Lenders Forms".

2. The Participating Lender will find complete Servicer information, published on the CHFA website, chfa.org located under "Lender / Mortgage Program Resources / **CHFA Servicer Guides**".

3. Participating Lenders will submit the certain Loan documentation per CHFA Finance Department's **"Closed Loan Documentation Checklist"** *(CHFA Form 009-0810)* published on the CHFA website, *chfa.org* and located under "Lender / Lenders Forms IN A SINGLE PACKAGE within 90 days of Loan Closing to:

   Connecticut Housing Finance Authority
   Attn: Finance Dept. 999 West Street – Rocky Hill, CT 06067
   ~ **or** ~ **Email**: *PCDocs@chfa.org*

4. If the First Mortgage Loan includes CHFA Downpayment Assistance Program/s Participating Lenders must utilize the "**CHFA Downpayment Assistance Program/s Servicing Guide**" *(CHFA Form C4C DAP TTO)* published on the CHFA website, *chfa.org* located under "Lender / Mortgage Program Resources / CHFA Servicer Guides". This guide contains complete Servicer and CHFA documentation remittance requirements.

    a. Downpayment Assistance Program Loan/s will be funded by CHFA only upon receipt and satisfactory review of the required documentation described in the "Downpayment Assistance Program/s Servicing Guides", and upon CHFA's receipt of an accurately completed "Loan Purchase Request Form".

5. CHFA Documents may not be changed or altered in any manner without the prior approval of CHFA. The Participating Lender must use CHFA forms where applicable; facsimile computer-generated forms, in place of CHFA forms, are acceptable with prior written approval.

6. **Mortgage Electronic Registration System (MERS)** - CHFA is not a member of the Mortgage Electronic Registration System. Assignment of CHFA mortgage loans in MERS will not be purchased.

    a. CHFA Mortgage Loans that are **Service-Retained or Service-Released by Lender to AmeriNat** *must* be assigned in the name of the Connecticut Housing Finance Authority.
    b. This policy may be amended by CHFA at will to accommodate the sale of mortgage loan pools to FNMA, FHLMC, GNMA or any other CHFA designated authorized entity. Note: MBS Servicers loans do permit assignments to MERS.

6.3 Downpayment Assistance Program/s

A. Loan Delivery and Funding

If the First Mortgage Loan (both MBS and Non-MBS) includes CHFA Downpayment Assistance Program/s ("DAP") Loan funding or Time To Own-Forgivable ("TTO") Loan funding, the Participating Lender must complete the DAP required fields on the CHFA "**Loan Purchase Request Form**" *(CHFA Form 066-0408*) and submit the form to the CHFA Finance Department at: fin-fax.purchase@chfa.org concurrent with the document delivery to IHFA, or with the request for purchase of the First Mortgage to CHFA.

1. Funds will be disbursed via the wiring instructions CHFA has on file for the Participating Lender, provided all applicable mortgage data section/s accurately completed, and all **Downpayment** required documentation described above and in the "**Downpayment Assistance Program Servicing Guides**" (*CHFA Form C4C DAP TTO),* as applicable, published on the CHFA website, chfa.org and located under "Lender / Mortgage Program Resources / CHFA Servicer Guides is included.

2. For MBS related DAP/TTO Loans, CHFA will fund upon notification from the MBS Servicer to CHFA that the first mortgage loan has been funded. CHFA will purchase the Downpayment Assistance Program loan/s for the full Note amount/s, net of prepaid interest.

3. If the First Mortgage is not purchased for any reason by either the MBS Servicer or CHFA, CHFA will not purchase the related DAP Loan. If, for any reason, the Participating Lender is required to repurchase the First Mortgage (please refer to Section 6.6), the lender will also be required to repurchase the related DAP/TTO Loan.

4. Concurrent with the Loan Purchase Request, Participating Lenders will submit the required Loan file documentation by mail or email utilizing the Capital For Change, Inc. "CHFA Downpayment Assistance Program/s Servicing Guide" (CHFA Form C4C DAP TTO).

6.4 Purchase of Committed, Non-MBS ("CHFA-Owned") Loans

A. Loan Purchase

1. CHFA will generally fund Loans on the date of the loan closing provided:

   a. Participating Lenders send the CHFA **"Loan Purchase Request Form"** *(CHFA Form 066-0408)* with pdf copies of the executed and endorsed First Mortgage Note and Downpayment Assistance Program Note/s and Commitment Letter/s, *(if applicable)* for all closed Loans prior to the 12:00 noon funding deadline to CHFA via Email: *Fin-fax-purchases@chfa.org*

   b. Loan Purchase Requests received after 12:00 noon will be funded the following business day.

   c. CHFA will pay interest on purchases if the Loan Purchase Request is received within 2 business days without any issues.

d. If the loan is funded and does not close, the Lender will be required to return purchase funds and will incur a penalty of $250.

e. Promissory Note amount must be what was issued on the commitment letter and must be endorsed to CHFA as follows:

"Pay to the order of Connecticut Housing Finance Authority without recourse".

(PARTICIPATING LENDER)

BY ____________________________

TITLE ____________________________

DATE ____________________________

f. Mortgage Interest Rate must be what was issued on the commitment letter.

B. Mortgage Loan Interest

1. The amount of prepaid interest collected at closing should be calculated as per diem based on the actual number of days in the relevant year (365 or 366).

2. Calculate the interest payment from and including the closing date to but excluding the date of the first monthly payment.

3. For all loans where prepaid interest is collected from the borrower at closing, CHFA will collect prepaid interest from CHFA's purchase date, *(not the closing date)* provided that the loan is purchased by CHFA no later than two (2) business days after closing.

4. For all loans purchased by CHFA three (3) or more business days after closing, CHFA will continue to collect prepaid interest from the closing date of the loan.

5. After verifying that there is a valid CHFA Commitment, CHFA will confirm the total amount of the purchase, net of prepaid interest, and disburse this amount to the Participating Lender.

6. Inasmuch as the Loan purchase is made prior to the review of the closed loan documentation, the Loan is subject to repurchase by the Participating Lender as explained in Section 6.6.

6.5 Escrow Reserves

A. Mortgage Insurance Escrows

1. FHA Insured Loans

No monthly FHA premiums should be collected at closing for deposit into the escrow account *(in compliance with RESPA);* however, Participating Lender is responsible to collect and remit any upfront FHA premium due to HUD and provide proof of such remittance with closing package. In addition, the Lender must advise borrower that first payment will include monthly FHA premium.

2. PMI (monthly) insured loans

Two months' mortgage insurance is to be collected and remitted by the Participating Lender to the PMI Company, at time of closing, in order to initialize the mortgage insurance. In addition, the Participating Lender must file the applicable notice of the transfer form required by the PMI Company and notify the customer that the first payment will include the monthly PMI premium.

a. AmeriNat and MBS Servicers will begin paying PMI premiums in the month of the customer's first due date after the loan has been purchased. Lenders are responsible for submission of any premiums due prior to purchase.

3. PMI (annual) insured loans

Two months' mortgage insurance is to be collected for deposit into the escrow reserves by the Participating Lender at time of closing. In addition, the first year's premium should be delivered to the PMI Company by the Participating Lender along with the notice of transfer form.

B. Tax Escrows

Two months Tax Reserves should be collected for all Tax escrow items. All taxes due within 30 days of closing must be paid at the closing and a paid receipt provided with the original faxed package. Tax escrows should only be established for real estate and fire district taxes. Escrows for other taxing authorities should not be made part of the escrow account unless it is part of the real estate tax bill (sewer and water use fees, etc).

C. **<u>Hazard/Flood Insurance Escrows</u>**

Two months' hazard insurance reserves should be collected by the Participating Lender at closing for the escrow reserves. Participating Lenders will notify the borrower at closing that one month's premium will be part of the first monthly payment.

1. **<u>Hazard Insurance Mortgagee Clause</u>:**

a. **<u>Idaho Housing and Finance Association</u>**:

HomeLoanServ, its successors and / or assigns as their interest may appear, P.O. Box 818007, Cleveland, OH 44181.

<u>Down Payment Assistance Program/s</u>:
Connecticut Housing Finance Authority, C/O Capital for Change, Inc., its successors and/or assigns as their interest may appear, 10 Alexander Drive Wallingford, CT 06492.

b. **<u>US Bank</u>:**

U.S Bank National Association, Its Successors and Assigns as Their Interest May Appear, c/o U.S. Bank Home Mortgage, P.O. Box 961045, Fort Worth,TX 76161-0045

<u>Down Payment Assistance Program/s</u>:
Connecticut Housing Finance Authority, C/O Capital for Change, Inc., its successors and/or assigns as their interest may appear, 10 Alexander Drive Wallingford, CT 06492.

c. **<u>Lakeview</u>:**

Lakeview Loan Servicing, LLC, c/o LoanCare, LLC, ISAOA/ATIMA, PO box 202049, Florence, SC 29502-2049.

<u>Down Payment Assistance Program/s</u>:
Connecticut Housing Finance Authority, C/O Capital for Change, Inc., its successors and/or assigns as their interest may appear, 10 Alexander Drive Wallingford, CT 06492.

d. **<u>AmeriNat</u>:**

Connecticut Housing Finance Authority, C/O AmeriNat, its successors and / or assigns as their interests may appear, P.O. Box 123, Downey, CA 90241.

<u>Down Payment Assistance Program/s</u>:
Connecticut Housing Finance Authority, C/O Capital for

Change, Inc., its successors and/or assigns as their interest may appear, 10 Alexander Drive Wallingford, CT 06492.

e. **Service Retained Lender:**
Connecticut Housing Finance Authority, C/O Lender Name, its successors and / or assigns as their interests may appear, *Lender Address*.

Down Payment Assistance Program/s:
Connecticut Housing Finance Authority, *C/O Capital for Change, Inc.,* its successors and/or assigns as their interest may appear, 10 Alexander Drive Wallingford, CT 06492.

D. Borrower Notification of Servicing Transfer

1. The Participating Lender will notify the borrower of the applicable CHFA Servicer that will be servicing the loan per "RESPA" requirements and in compliance with Federal Consumer Financing Laws applicable to servicing transfers as outlined by CFPB (12 CFR 1024.33, 1024.38, 10247.41).

2. The Participating Lender must reference the CHFA Servicer Guides published on the CHFA website at *chfa.org* for CHFA Loan Servicing Transfer Guidelines and other servicing related information. The Guides are located under the title "Lenders / Mortgage Program Resources / CHFA Servicer Guides".

3. The Participating Lender will notify the borrower how to access monthly billing statements from the assigned Servicer.

4. The Participating Lender will advise borrowers where payments are to be mailed, and provide information of any online resources made available by the Servicer for that purpose, including available contact information for any related servicing inquiries.

5. The Participating Lender will provide the borrowers with the initial Escrow Account Disclosure Statement.

6.6 Repurchase Requirements

General

Upon a Participating Lender's failure to comply with requests from CHFA to correct or complete documentation for any Loan purchase package or upon other breach of the terms of the Master Commitment Agreement for Mortgage Purchases, or any failure to comply with the requirements for eligibility set forth in this Manual *(which failure is to be determined in the sole discretion of CHFA)* without regard to whether the Participating Lender may be at fault, the mortgage will be reassigned to the Lender. Lender shall repurchase the Mortgage Loan as provided in the Master Commitment Agreement for Mortgage Purchases and the Lender will incur a penalty of $250.

Note: CHFA will require the Participating Lender to repurchase any loan that has been closed in a loan amount and/or interest rate different than the loan amount and interest rate stated in the commitment letter and the lender will incur a penalty of $250.

A. Repurchase –MBS Loans

CHFA will enforce its repurchase policies in the event of any loan document deficiencies or loans that have been determined by the MBS Servicer, FNMA, FHLMC or GNMA to be a Non-Qualifying Mortgage Loan. “Non-Qualifying Mortgage Loan” shall mean any Mortgage loan received or serviced by the MBS Servicer with respect to which:

1. The Participating Lender fails to deliver to the MBS Servicer all documents of the first mortgage loan file (described in the CHFA “Processing Checklists and Loan File Submission”, “Closed Loan Documentation”, “Purchase Request Form” and/or CHFA “Servicer Guides”) on a timely basis or the MBS Servicer determines that such documentation for Mortgage Loans does not conform to the requirements of the Program, FNMA, FHLMC or GNMA Guide/s, or the CHFA Operating Manual.

2. FNMA, FHLMC, GNMA or the MBS Servicer determine that the Mortgage Loan is not of acceptable quality or is not eligible for sale under the Program, FNMA, FHLMC or GNMA Guides, or the CHFA Operating Manual.

3. **“Repurchase Price,”** with respect to a Mortgage Loan to be repurchased from the MBS Servicer by CHFA, is defined as the payment of:

   a. 100% of the unpaid principal balance of Mortgage Loan plus.

b. any accrued and unpaid interest at the annual rate borne by the Mortgage Notes due and payable to FNMA, FHLMC or GNMA upon purchasing out of the pool or to the date of repurchase if not purchasing out of a pool plus;

c. the aggregate amount of any advances made by or on account of the MBS Servicer for the Mortgage Loan.

d. any attorney's fees, legal expenses, court costs or other expenses which may have been incurred or expended by the MBS Servicer in connection with said Mortgage Loan; and

e. any fees charged by the MBS Servicer by FNMA, FHLMC or GNMA for repurchase or withdrawal of the Mortgage Loan out of the applicable pool.

B. Repurchase – CHFA-Owned Loans

"Non-Qualifying Mortgage Loan" shall also mean any Mortgage Loan purchased by CHFA with respect to which the borrower(s) failed to meet the income and all other eligibility requirements for the applicable Program, as set forth in the Program Documents.

1. The Participating Lender fails to deliver to CHFA all documents of the first mortgage loan file (described in the CHFA "Processing Checklists and Loan File Submission", "Closed Loan Documentation", "Purchase Request Form" and/or CHFA "Servicer Guides") on a timely basis or CHFA determines that such documentation for Mortgage Loans does not conform to the requirements of the Program or the CHFA Operating Manual.

2. "Repurchase Price," with respect to a Mortgage Loan to be repurchased from CHFA, is defined as the payment of:

   a. 100% of the unpaid principal balance of Mortgage Loan plus;
   b. any accrued and unpaid interest at the annual rate borne by the Mortgage Notes due and payable to CHFA to the date of repurchase;
   c. the aggregate amount of any advances made by or on account of CHFA for the Mortgage Loan; and
   d. any attorney's fees, legal expenses, court costs or other expenses which may have been incurred or expended by CHFA in connection with said Mortgage Loan.

Chapter 7 – Investor Reporting and Remittance Guidelines

The Investor Reporting and Remitting Guidelines (IRRG) have been prepared by the Connecticut Housing Finance Authority (CHFA) for institutions who service CHFA loans under its Home Mortgage Program and other programs administered by CHFA on behalf of other investors (i.e., State of Connecticut Down Payment Assistance Program).

The intention of these guidelines is to provide servicing and reporting instructions in accordance the written agreements between CHFA and the institutions which service CHFA loans. Accordingly, the instructions contained in these guidelines are subject in all respects to the provisions in CHFA's Procedures, the terms of the Master Commitment Agreement for Mortgage Purchases, as amended, the Home Mortgage Servicing Agreement (n/k/a Mortgage Loan Servicing Agreement), as amended, and the CHFA Lender Guide-Operating Manual.

CHFA will provide notification to all Servicers should circumstances require a revision to these guidelines from time to time.

7.1 Overview

The Servicer shall maintain accurate Mortgage Loan accounting and servicing records and shall comply with all reporting requirements set forth in this Operating Manual. Each scheduled payment, whether collected singly or together with other monthly payments on the same Mortgage Loan, shall be applied in accordance with the Mortgage Loan documents. Payments and/or delinquencies must not be capitalized into the Mortgage Loan balance unless the capitalization is in accordance with a CHFA-approved modification documented on CHFA approved forms and executed by an authorized CHFA officer. CHFA shall independently calculate outstanding Mortgage Loan balances and furnish them to the Servicer monthly in the form of a billing. The Servicer must reconcile its Mortgage Loan balances monthly with those furnished by CHFA and adjust all its Mortgage Loan balances which differ by more than $1.00 from those maintained by CHFA except in those cases in which the Servicer demonstrates that CHFA's loan balance is incorrect, as determined by CHFA.

7.2 Billing

At loan purchase, CHFA disburses funds to the originating lender and the loan becomes active on CHFA's records. Concurrently, the Servicer establishes the loan on its records.

Prior to the end of each month, CHFA will send a Summary Level Payment Billing report to the Servicer that will show the Net Amount Due.

Connecticut Housing Finance Authority

Detailed Level payment Billing

10/29/2024
02:40:44 PM

Servicer : [SERVICER NAME] **Period : 10/2024**

Total Level Payment Due :	112,362.11
Add.:	
Short Remittance Last Period:	19,903.81
Short Remittance Payoffs (see attached):	0.00
Less:	
Over Remittance Last Period:	0.00
Over Remittance Payoffs (see attached):	1,031.27
Net Amount Due :	131,234.65
(Enter on Line 1 of MRR)	

Your mid-month payment in the amount of 78,653.48 which is 70% of 112,362.11 is due by the 15th.

CHFA will also send the Detailed Level Payment Billing report that will show the detailed billing amounts by loan of level payments due CHFA for each loan in the Servicer's portfolio.

Connecticut Housing Finance Authority

Detailed Level payment Billing

Servicer : [SERVICER NAME] **Period : 10/2024**

Stat	Loan #	Interest Rate	Current Prin.Bal	Due Date	Level Payment	Principal Due	Interest Due	Less Servicer Fee	Net Due
	044796	4.9900	95,305.17	10/01/2024	984.21	587.90	396.31	29.78	954.43
	044968	4.8750	37,366.84	09/01/2024	393.79	241.99	151.80	11.68	382.11
				10/01/2024	393.79	242.97	150.82	11.60	382.19
	050011	3.1250	135,475.79	10/01/2024	614.54	261.74	352.80	42.34	572.20
	050343	4.6250	89,304.84	10/01/2024	879.91	535.71	344.20	27.91	852.00
	050416	4.7500	98,566.18	10/01/2024	983.23	593.07	390.16	30.80	952.43
	050509	4.7500	42,610.29	08/01/2024	421.24	252.57	168.67	13.32	407.92
				09/01/2024	421.24	253.57	167.67	13.24	408.00
				10/01/2024	421.24	254.58	166.66	13.16	408.08
	050673	4.7500	52,758.99	10/01/2024	0.00	0.00	0.00	0.00	0.00
	050701	4.7500	199,984.38	10/01/2024	1,043.21	251.61	791.60	62.50	980.71
	050717	4.7500	100,890.74	10/01/2024	0.00	0.00	0.00	0.00	0.00
	050859	4.8750	48,257.53	10/01/2024	549.27	353.22	196.05	15.08	534.19
	050992	4.8750	95,436.15	10/01/2024	556.09	168.38	387.71	29.82	526.27
	051156	5.0000	15,875.26	10/01/2024	170.45	104.30	66.15	4.96	165.49
	051624	4.9900	111,487.02	09/01/2024	1,103.37	639.77	463.60	34.84	1,068.53
	Grand Totals :		10,312,312.51		112,362.11	52,750.46	59,611.65	4,263.03	108,099.08
	Delinq. Totals :		1,362,196.31		35,736.67	16,802.56	18,934.11	1,355.65	34,381.02
	Forbearance Total :								0.00

This billing report represents the amount of level payments due for the Servicer's next reporting period. Each Servicer is required to reconcile the Net Amount Due from CHFA's Summary Level Payment Billing report to actual cash collected and remitted to CHFA. The guidelines require that Servicers report only exceptions to normal loan activity (i.e., delinquencies, prepayments, curtailments, reversals). This activity is processed and reconciled by CHFA. A Servicer's portfolio will not be amortized by CHFA until all exception details reported by the

Servicer have been balanced against the Monthly Remittance Reconciliation (“MRR”) form. Once in balance, CHFA incorporates the amortization of the Servicer’s portfolio to match CHFA’s records.

After receiving the monthly billing reports from CHFA, it is the responsibility of the Servicer to prepare and reconcile the MRR form along with the supporting exception schedules to the Net Amount Due from the CHFA Summary Level Payment Billing report. The Servicer’s Reporting Package (refer to the Reporting section) is due to CHFA no later than the 10th of each month. CHFA’s system will calculate the principal, interest and servicing fee due for each loan based upon the exceptions reported by the Servicer. CHFA then compares this activity to the Servicer’s remittance amount reported on the Funds Transmittal Advice (FTA) form. Any over/short remittance will be used to reduce or increase the next billing report.

All exceptions reported to CHFA by the Servicer must reflect the unique six- or seven-digit CHFA loan identification number which is assigned to each CHFA loan.

7.2 Remittance of Funds

Servicer shall send all remittances via the FED wire transfer system using the following instructions:

US BANK
225 Asylum Street, 23rd floor Hartford, CT 06103
ABA#: 091000022
A/C#: 173103321076
Account Name: US Bank Trust N.A. Attn: Hartford Corporate Trust

For Further credit to CHFA# ***see table below for account # & description***

Re: Serv#**________**, (select one): **Mid-Month** *or* **Month-End** *or* **Payoff Remittance**

Servicer Type	***Account # and Description***
Regular Servicer	100006774 Holding Sub Acct
DAP Servicer	100002747 Securities-DAP Esc
DAP 120 AMI	1000007081 120-DAP Acct
DAP Teachers	1000007444 Teachers-DAP Acct
Time To Own	1000007355 TTO Acct
Mobile Home Refinance	1000007264 Mobile Home Refi

All wires must be received on or before 2:00 PM EST for same day credit.

Mid-Month Payment

On or by the 15th day of each month, the Servicer must remit at least 70% of the total amount of scheduled monthly level payments due on mortgages as shown on CHFA's Summary Level Payment Billing report.

Total Level Payment Due:	15,293.95
Add:	
Short Remittance Last Period:	0.00
Short Remittance Payoffs (see attached):	0.00
Less:	
Over Remittance Last Period:	16.00
Over Remittance Payoffs (see attached):	0.00
Net Amount Due:	15,277.95
(Enter on Line 1 of MRR)	

Your mid-month payment in the amount of 10,705.76 which is 70% of 15,293.95 is due by the 15th of April

In the event that the Servicer's actual collections, up to and including the 14th day of the month are less than 70% of the Total Level Payments Due, the Servicer may remit the lesser amount collected with written indication that such is the case.

Along with Mid-month remittance, a written notification confirming the total wire amount and supporting documentation (if any), should be provided to CHFA.

Month-End Payment

Servicer shall cut off its monthly collection and reporting period on the last business day of the calendar month and the Servicing Report must reach CHFA on or before the tenth (10th) day of the following calendar month. The Servicer must remit the total amount of collections (exclusive of escrow) through the month-end reporting date, less any servicing fee retained and less the mid-month payment already remitted.

Loan Payoffs

Servicers must remit, within three (3) business days after receipt, the amount of any mortgage loan payoff, together with interest collected, less a pro-rated portion of the servicing fees earned.

Late Remittances

The Servicer shall pay a late charge billed by CHFA at CHFA's current interest earnings rate for any period of lateness. This includes late remittance of payoffs, mid-month and month-end payments.

7.3 Remittance Reporting

The Servicer's Reporting Package must be received by CHFA by the 10th calendar day of each

month (or the first business day following the 10th if the 10th falls on a weekend or holiday).

The Servicer's Reporting Package will consist of the following reports delivered electronically in an acceptable Excel or .CSV format:

REQUIRED REPORTS & FORMS

1. Servicer's Month-End Trial Balance report
2. Servicer's Month-End Collections/Activity report
3. COMBO MRR-FTA (Monthly Remittance/Funds Transmittal Advice) report (*IRRG/MRR-FTA FORM*)
4. Servicer Exception Report

1. MONTH-END TRIAL BALANCE

The Servicer must send a copy of the Month-End Trial Balance report that shows the Principal Balance and PTD of each loan at month-end. Each loan must be identified with CHFA's six-digit loan number. Please ensure that the report is formatted to print properly without requiring manipulation by CHFA staff.

2. MONTH-END COLLECTIONS REPORT

The Servicer must send a copy of the Month-End Collections report. Each loan's detailed transactions must be identified with CHFA's six-digit loan number. Please ensure that the report is formatted to print properly without requiring manipulation by CHFA staff.

3. FTA (FUNDS TRANSMITTAL ADVICE)

Use form *IRRG/MRR-FTA* to report the monthly collections of principal and interest, net of servicing fee retained. Any overages/shortages from the previous billing period and/or overages/shortages related to payoffs should also be reported. The Servicer's Collection Totals should equal the Servicer's Remittance Totals for Mid-Month and Month-End payments remitted.

Servicer Collection Totals

Principal Collections
This amount should equal all principal collected during the month including curtailments, principal on regular payments, principal on prior due payments, principal on prepayments and net of any principal returned due to reversal of curtailment or reversal of previously paid level payments.

Interest Collections
This amount should equal all interest collected during the month on regular payments, interest on prior due payments, interest on prepayments and net of any interest returned due to reversal of previously paid level payments.

Service Fee Retained
This amount should be the Servicing Fee earned on regular payments, prepayments and prior due

payments. This amount should be decreased by Servicer Fee returned due to the reversal of previously paid level payments.

Over/Short Remittance
This is the amount billed or credited on the CHFA Summary Billing Detail report. Over/Short remittances must be researched and explained before remitting/netting. Any credit/debit that is used from previous billing and that affects a loan's UPB should also be shown and adjusted under loan's transactions details.

Over/Short Remittance on Payoffs
This is the amount billed or credited on the CHFA Summary Billing Detail report. Over/Short from payoffs must be researched and explained before remitting/netting.

Total Monthly Remittance
Use the following formula to calculate this amount

+	**Principal Collections**
+	**Interest Collections**
-	**Service Fee retained**
+/-	**Over/Short Remitted/Netted**
+/-	**Over/Short on Payoffs Remitted/Netted**
=	**Total Monthly Remittance**

Servicer Remittance Totals

Mid-month Remittance
This amount should equal the lessor of collections from the 1st through the end of business on the 14th day of the month or 70% of the CHFA Summary Billing Detail report. The Mid-month Remittance should be wired to CHFA on the 15th of the month being reported, or the next business day following the 15th if the 15th falls on a weekend.

Month-end Remittance
This amount should equal the collections from the 15th through the end of business on the last day of the month plus any remaining amounts from the Mid-month Remittance. The Month-end Remittance should be wired to CHFA on the 10th of the month following the month being reported, or the next business day following the 10th if the 10th falls on a weekend.

Other Payments
Indicate other remittances to CHFA during the reporting month, excluding payoffs. Please include a brief description if any other monies were remitted.

Total Monthly Remittance
Use the following formula to calculate this amount. TIP: the Total Monthly Remittance lines from the FTA and the MRR *must* be the same amount.

+	**Mid-month Remittance**
+	**Month-end Remittance**
+	**Other Payments (if any)**

=   **Total Monthly Remittance**

Troubleshooting

Principal
Adjust this amount for any adjustment transactions posted during the month to correct for prior month errors. Make sure this amount does not include any principal amounts collected at payoff.

Interest
If necessary, deduct prepaid interest posted on new loans. Adjust this amount for any adjustment transactions posted during the month to correct for prior month errors. Make sure this amount does not include any interest amount collected at payoff.

Service Fee
Adjust this amount for any transactions posted during the month to correct for prior month errors. Make sure this amount does not include any Servicer fees retained on payoffs.

Mid-Month & Month-End Remittances
Verify the dollar amounts and dates wired for compliance with the above stated remittance requirements. The Servicer's Collection Totals should equal Remittance Totals for Mid-Month and Month-End payments remitted.

4. MRR (MONTHLY REMITTANCE RECONCILIATION)

Use form *IRRG/MRR-FTA* to reconcile the Net Amount Due from the CHFA Summary Level Payment Billing to the Total Monthly Remittance wired to CHFA. The supporting exception detail listings, collections report and trail balance will provide the detail for this form.

Total Level Payments Due
This amount comes from the Net Amount Due on the CHFA Summary Level Payments Billing report.

EXCEPTIONS

Please see Section 7.4 for guidance on the automated exception reporting process.

Prepayments (P)
The total amount of level payments collected for periods beyond the current due date should be reported on the "Prepayments" line.

Current Curtailments (CC)
The total amount of all curtailment collected should be reported on the "Current Curtailments" line. If the Servicer's report does not distinguish between current and prepaid curtailments, the Servicer must make manual adjustments in completing this report.

Prepaid Curtailments (CF)

The total amount of all future curtailments collected should be reported on the "Prepaid Curtailments" line. If the Servicer's report does not distinguish between current and prepaid curtailments, the Servicer must make manual adjustments in completing this report.

Delinquent Level Payments (D)
The total amount of level payments of all delinquencies should be reported on the "Delinquent Level Payments" line.

Curtailment and/or Level Payment Reversals (RN/RP/RC)
The total amount of all reversals of transactions from a previous month, including both curtailments and level payments should be reported on the "Curtailment and/or NSF Reversal" line.

Delinquencies at Payoff (DP)
The total amount of all uncollected level payments for any Payoffs remitted for the current reporting period should be reported on the "Delinquencies at Payoff" line.

Service Fee Retained
The total amount calculated as Due from CHFA on the collections report must agree with the Service Fee Retained reported on the FTA form.

Net Amount Due: Total Level Payment Due (from CHFA Summary Level Payment Billing Report)
Use the following formula to calculate this amount

+	**Prepayments**
+	**Current Curtailments**
+	**Prepaid Curtailments**
-	**Delinquent Level Payments**
-	**Curtailment and/or Level Payment Reversals** -
-	**Delinquencies at Payoff**
-	**Servicer Fee Retained**
=	**Net Amount Due**

Total Monthly Remittance
The amount of the Total Monthly Remittance reported under Servicer's Collection Totals and Servicer's Remittance Totals on the FTA *must* agree with the Total Monthly Remittance reported on the MRR form.

Over/Short Remittance
This amount is the difference between the Net Amount Due and the Total Monthly Remittance. Ideally, this difference should be zero. Any differences should be identified. See the descriptions for each line of the MRR form below for common reconciling tips that may help identify any differences. Common reconciling items are often identified in Delinquencies at Payoff, Curtailments, Reversals and Over/Short remittances from a prior month.

Items reported incorrectly must be identified and the amounts identified above must be adjusted accordingly. The objective is to have a zero Over/Short Remittance or an Over/Short Remittance that can be explained.

Ending Loan Count
This is the total number of active loans at the end of the month being reported, which can usually be obtained from the Trial Balance.

Ending Principal Balance
This is the aggregate outstanding balance at the end of the month being reported, which can usually be obtained from the Trial Balance.

7.3 Automated Exception Reporting

Exceptions should be reported to CHFA via a CSV file. Each exception and how to report it is detailed below: CHFA Loan Number, Prepayment Amount (must be equal to one level payment), Paid-To-Date of the loan after the payment is applied and Total of all Prepayments. Report only those prepayments collected during the current reporting period.

- Must submit one file per Servicer #
- File can be either fixed length or .CSV format
- First line may contain column headers, all other lines must be data only.
- Format should include:
  - Column 1: Exception Code (1 or 2 digits), valid inputs are:
    - P – Prepayment (must list each prepayment individually)
    - D – Delinquency (one record for total delinquency per loan)
    - DP – Delinquent Payments on Payoffs
    - CC – Current month curtailment
    - CF – Curtailment for future month
    - RN – Reversal of level payment
    - RC – Reversal of previous curtailment
    - RP – Reversal of prepayment
    - PO - Payoff
  - Column 2: CHFA Loan # - 6 digits (must be no less, no more than 6 digits-required)
  - Column 3: # Payments Delinquent – only required for delinquencies – code D or DP
  - Column 4: Amount of Exception
    - Will be the monthly level payment amount for codes P, RN or RP.
    - Will be the total of all delinquent payments due from next due date thru the current reporting date for codes D or DP.
    - Will be the amount of additional principal paid for code CC, CF or RC. Note: any RC, transactions must match exactly the amount of the original curtailment transaction being reversed.
    - Will be the total amount of the Payoff (Principal + Interest received) for PO transactions.
    - Do not use Negative amount for reversals. Amounts should always be positive.

- Do not use any number formatting that includes “,” or “$” signs.

- Column 5: Payment Due Date of Exception (format is YYYYMMDD)
  - If prepayment, enter 1st of the month of the due date the payment is being made for.
  - If delinquency, enter 1st of the month of the due date of oldest payment still due.
  - If the current month curtailment, 2nd of the current month.
  - If future month curtailment, 2nd of the month of the prepayment.
  - For code RN or RP - the due date of the level payment being reversed.
  - For code RC - the date the month the original curtailment was applied.
- Column 6: Comment (not required) up to 100 characters

- Naming convention: <Servicer#>_YYYYMMDDHHMM.csv Example: 0102_202403041130.csv

Example View of Exception Upload File:

	A	B	C	D	E	F
1	CODE	LOAN#	# OF DEL	EXCEPTION_AMT	DUE DATE	NOTES
2	D	64459	45	13370.4	20201001	
3	D	51928	1	1034.09	20240501	
4	CC	50992	0	20	20240602	
5	CC	71586	0	5.28	20240602	
6	P	50717	0	1022.94	20240701	
7	P	52947	0	815.46	20240701	
8	CF	51156	0	33.57	20240702	
9	CF	52947	0	41.31	20240702	

PREPAYMENTS

A loan is considered prepaid when a full level payment is collected for a future scheduled payment. A future scheduled payment is any payment collected and applied after the current period. Prepayments will only be accepted on current loans. CHFA will only allow three pre-payments, any funds collected that exceed three pre-payments must be applied as a principal curtailment.

For Example: The reporting month is May 2025. All loans on the Servicer’s Trial Balance with paid-to-dates of June 2025 or greater are considered prepaid.

CSV format

CHFA Loan Number, Prepayment Amount (must be equal to one level payment), Paid-To-Date of the loan after the payment is applied and Total of all prepayments. Report only those prepayments collected during the current reporting period.

Enter the Total from the Prepayments form/report on Line 2 of the MRR form.

Troubleshooting

Verify all the prepayments being reported were collected in the reporting month.

Review the prepayment report for paid-to-dates less than or equal to reporting month.

If there are negative amounts, check to see if they are offset by positive amounts for same loans. These would be payments that were made then reversed during the same month and should not be reported. Refer to the loan history or collection report to identify true prepayment reversals. If true reversals exist, these amounts must be reported on the Reversal of Curtailment or Level Payment form.

CURTAILMENTS – CURRENT AND PREPAID

There are two types of curtailments: Current (CC) and Prepaid or Future Curtailments (CF). Curtailments are unscheduled payments applied towards the borrower's unpaid principal balance. Curtailments may be made for any current loan and in amounts less than the loan balance.

CHFA DOES NOT ACCEPT CURTAILMENTS ON DELINQUENT LOANS.

CSV format

CHFA Loan Number, Curtailment Amount, Date the Curtailment is being applied, 'CC' or 'CF' to delineate a Current or a Future curtailment.

Report only those curtailments collected during the current reporting period. Please identify the prepaid (future) curtailments from the current curtailments by highlighting, asterisking or some other mechanism. One way to differentiate between current and prepaid (future) is the paid-to-date.

Current Curtailments
Current curtailments can only be reported on current loans. Current curtailments must always be applied after the current month's level payment has been applied.

Prepaid (Future) Curtailments
Prepaid (future) curtailments can only be reported on prepaid loans. The miss-application of prepaid curtailments can create principal balance differences between the Servicer and CHFA.

Enter the Total from the Curtailments form/report on Line 3 of the MRR form.

Troubleshooting

Scan the paid-to-dates of each loan to separate the Current Curtailment total from the Future Curtailment total.

If there are negative amounts, check to see if they are offset by positive amounts for same loans. If so, remove both the positive and negative amount from the report.

If not, refer to loan history or collection report to identify true curtailment reversals or internal adjustments from previous months.

If true reversals exist, these amounts must be added back to the curtailment report totals and the reversals must be reported on the Reversal of Curtailment or Level Payment form.

If a reversal exists on the curtailment report that is due to the reversal of a previous month's curtailment on delinquent loan, this amount must be added back to the Curtailment report totals and the reversal should not be reported on the Reversal of Curtailment or Level Payment form. This negative amount will offset with the previous month's overage reported by CHFA.

DELINQUENT LEVEL PAYMENTS

The Delinquent Level Payments must always be in a multiple of the loan's level payment amount. Once a delinquency is reported for a given reporting period, it should continue to be reported as delinquent so long as any level payment delinquency remains outstanding.

CSV format

CHFA Loan Number, Total Delinquency Amount thru the current month end reporting period, Total number of level payments delinquent and the Paid-To-Date of the loan.

CHFA's will not accept any partial payments. If a partial payment is received, it will result in a delinquency. Partial payments are to be held by the Servicer until a full level payment can be processed on the loan. At that time, the full level payment will be due in the remittance.

Continue to report delinquencies, even if foreclosure proceedings have commenced, until title is taken and reported to CHFA. Once title is taken, the loan should be moved off the Trial Balance. Many Servicers transfer the loan to another investor number until all claims are filed, recovery is complete, and the property is transferred or conveyed as appropriate.

Enter the Total from the Delinquent Level Payments form/report on Line 4 of the MRR form.

Troubleshooting

If CHFA has removed loan(s) from the CHFA Detailed Level Payment Billing report due to title being taken and the loan still resides on the Servicer's Trial Balance report, manually deduct it from the Delinquent Level Payments report and the Total delinquency amount.

REVERSAL OF A CURTAILMENT OR LEVEL PAYMENT

Reversal entries of curtailments (RC) should match the amount and date of the curtailment being reversed. One or more reversal of level payments (RN/RP) can be entered. The date should always start from the latest paid-to-date. If a curtailment is being reversed from an earlier date, there is no need to enter reversals of level payments if these will be re-applied after curtailment is reversed and loan is re-amortized.

CSV format

CHFA Loan Number, Amount of Reversal, the Original Date Reported for the transaction and a

‘RC’ or ‘RN’ to indicate that it is a reversed curtailment or reversal of level payment. For, reversal of prepaid level payment use transaction code ‘RP’.

Please review the collections report for reversal transactions. If there is a negative transaction for a loan during the reporting period, then identify whether it is a curtailment reversal, a payment reversal, an adjustment for prior period error or a wash. Refer to the loan history or collections report to identify the type of reversal.

Curtailment Reversal
A curtailment reversal consists of principal only. If a curtailment reversal exists, identify the month the curtailment was reported and remitted to CHFA. CHFA cannot reverse a curtailment that has not been previously reported and remitted. Each curtailment reversal must be reported individually.

Payment Reversal
A payment reversal consists of both interest and principal. Please make sure the payment amount being reversed equals one full level payment amount. Multiple payment reversals for one loan must be reported individually.

If the reversal causes the loan to be delinquent, the reversals and delinquencies must be reported separately. It will be necessary to manually adjust the delinquency amount by the reversed payment(s). CHFA cannot reverse a payment that has not been reported and remitted.

Reversal for a prior period posting error
Adjustment reversals are commonly used to reverse a curtailment on delinquent loans from a prior period, to apply principal balance adjustments due to incorrect amortization from a prior period, or to process a reapplication of payments. This type of reversal should not be reported to CHFA. The amount of the adjustment reversal should be added back to the appropriate category on the MRR form and back into the Total Monthly Remittance reported on the FTA form.

Offsetting Transactions
If the net of all transactions for a loan is zero, then there is no need to report a reversal.

Enter the Total from the Reversal of Curtailment or Level Payments form/report on Line 5 of the MRR form.

DELINQUENT LEVEL PAYMENTS AT PAYOFF

The following section will explain how to report delinquent level payments on the Payoff Form (IRRG PAYOFF).

CSV format

CHFA Loan Number, Total Delinquency Amount of all delinquent payments, the number of Payments Delinquent at Payoff, and the Paid-to-Date of the loan at payoff.

Payoffs
It is necessary to report to CHFA all level payments not collected for the loan up to and including the current month's level payment. Do not report the payoff anywhere if the borrower made a payment up to current month because the billing report anticipated its collection.

Foreclosures
All level payments not collected should be reported. Once reported, the foreclosed or assigned loan should no longer be carried on the Trial Balance. Many Servicers transfer the loan to a different investor number. CHFA will no longer bill for the delinquent level payments.

Enter the Total from the Delinquent Level Payments at Payoff form/report on Line 6 of the MRR form.

Troubleshooting

Take the previous month's payoff/removals report to make sure the loans paid off are removed from the CHFA Detailed Level Billing report. If loan(s) have been paid off but are still on CHFA's Detailed Level Payment Billing, it is necessary to manually adjust the total delinquency amount.

CHFA removes loans upon receipt of funds. Due to the three (3) days remittance period, loans that are paid off at the end of the month may still be billed. Any loan paid off but still being billed by CHFA will have to be manually added to the form/report.

7.5 Payoff Reporting

LOAN PAYOFF

Use *Form IRRG/PAYOFF* to report and remit final payments to CHFA, along with the payoff report for verification.

Servicer must remit final payments within three (3) business days from the loan payoff date.

Loan Payoff Date
The ***actual*** date the loan was paid in full.

Date Remitted
The ***actual*** date the funds were remitted to CHFA. This must be within 3 business days of the loan payoff date, including the date of payoff.

CHFA Balance Prior to Payoff, Per Latest Detailed Level Payment Billing
In order to reconcile the Servicer's principal balance to CHFA's principal balance, **always** report CHFA's Principal Balance prior to payoff from the most recent CHFA Detailed Level Payment Billing report.

Date of CHFA Detail Level Payment Billing Report Used
The Period shown in the header of the Summary Level Payment Billing report.

Connecticut Housing Finance Authority

Detailed Level payment Billing

10/29/2024
02:40:44 PM

Servicer : [SERVICER NAME] **Period : 10/2024**

Interest P-T-D @ Payoff
This date is the Paid-to-Date on loan prior to receiving the payoff funds.

Principal Portion of Level Payments Applied Prior to Payoff
This amount is the total amount of principal collected for level payments and curtailments not yet reported to CHFA but collected and posted prior to payoff.

Principal Portion of NSF Reversals
This amount is the total amount of principal reversed due to NSF payments not yet reported to CHFA but posted prior to payoff.

Curtailments Applied Prior to Payoff
This amount is the total of all curtailments collected but not yet reported to CHFA prior to payoff.

Curtailment Reversals Prior to Payoff
This amount is the total amount of principal reversed due to curtailment back outs not yet reported to CHFA but posted prior to payoff

Unidentified (loan history required)
This represents any unidentified balance difference between the Servicer's principal balance at payoff and the calculated CHFA principal balance. The following formula will calculate any Unidentified amount:

CHFA Principal Balance Per Latest Detailed Level Payment Billing
- Principal Portion of Level Payments Prior to Payoff
+ Principal Portion of NSF Reversals
- Curtailments Applied Prior to Payoff
+ Curtailment Reversals Prior to Payoff
- Servicer's Principal Balance at Payoff

= Unidentified

If unidentified differences exist, a loan history is required along with the Loan Payoff form and the Servicer's payoff report.

This next section of the form is to report the breakdown of the payoff remittance. Use the Payoff section of the collections report to this section of the form.

Servicer Principal Balance at Payoff
The Servicer's principal balance of the loan when payoff funds are collected.

Interest Collected at Payoff
Interest remitted at payoff. Interest must be calculated using a 365/366 day year. Use the following formula to calculate the interest due CHFA within three (3) business days after the loan payoff date:

Formula:
(Principal Balance at Payoff x Note Rate / 365(366) x # of days from P-T-D through and including the date of payoff)

NOTE: If the loan was prepaid at the time of payoff, the Interest rebate will be netted from the remittance due amount.

Servicer Fee Retained at Payoff
Servicer fee due to the Servicer from CHFA for the final payment collection. Servicer Fee Retained must be calculated using a 365/366 day year. Use the following formula to calculate the servicing fee retained by Servicer at loan payoff:

Formula:
(Principal Balance at Payoff x Servicer Fee Rate / 365(366) x # of days from P-T-D through and including the date of payoff)

NOTE: If the loan was prepaid at the time of payoff, the Servicer Fee Retained rebate would be added to the remittance due amount.

Total Remitted

(Within 3 Business Days After Payoff Date [including date of payoff])

Calculate Total Remitted as shown below:

	Servicer's Principal Balance at Payoff
+	**Interest Due Calculated and Collected at Payoff**
-	**Servicer Fee Retained Calculated and Collected at Payoff**
=	**Total Remitted**

CHFA will review the payoff remittance including principal, interest and service fee for each loan. If CHFA's calculations do not reconcile with the Servicer's, the difference will be added to the Servicer's monthly billing and the difference will be explained in the monthly billing cover letter. Additionally, if funds are remitted after 3 business days, a late fee will be calculated and added to Servicer's monthly billing cover letter (Late Fee Formula: CT Short-Term Investment Fund Rate on Payment Due Date x Payoff Remittance Amount Due x Number of Days Late).

For each payoff, determine if there are any delinquent payments. Verify that all delinquent payments including the current month are reported on CHFA's Detailed Level Payments Billing report. If included on the Billing report, loan delinquency must be reported on the Delinquent Level Payment at Payoff form for the reporting period in which the loan paid off (refer to Delinquent Level Payments at Payoff section).

7.6 PMI Cancellation Reporting

All loans with terminated Private Mortgage Insurance or a terminated guarantee (FHA, VA or USDA) must be reported to CHFA on a monthly basis. Notification of termination must include the CHFA loan number, proof of cancellation that includes the reason and cancellation date plus any additional applicable backup and should be emailed to sfmicancel@chfa.org.

7.7 Default Reporting

Connecticut Housing Finance Authority requires Servicers to provide monthly reporting for all 90-day delinquent loans, loans in bankruptcy (regardless of the delinquency status), or post-foreclosure assets until they are transferred/conveyed to an insurer/guarantor and all insurer/guarantor payments or other recovery have been received by CHFA. For each loan included in the monthly report, Servicer is required to select one of the codes listed on the *CHFA Delinquency & Foreclosure Status Codes* table. The reported code should represent the loan status on the last business day of each month. The report is due to CHFA by the 10th of the month. The Servicer must continue to report each loan on a monthly basis until such time as the loan becomes less than 90 days delinquent, the bankruptcy status no longer applies, or all insurer payments have been received by CHFA.

Each report must be electronically provided to CHFA via ShareFile as a csv file. Please use the following naming convention for each file: *DELQ####MMYYYY.csv*, where "*####*" represents your specific Servicer code with CHFA. For example, if your Servicer code is 9999 and you are sending the file for June 2025, the name would be *DELQ9999062025.csv*; the July 2025 file would be *DELQ9999072025.csv*. The first record in the file may be a column header row. This is optional, if the first record is valid data it will be loaded. All records after the first one must be valid data. Do not include any total or summary data at the end of the file. All records after the first one must match the above format.

All questions about the reporting process or a request for ShareFile access should be emailed to dlqreport@chfa.org.

CHFA Delinquency & Foreclosure Status Codes

The Delinquency & Foreclosure Status Code list is fixed for the purpose of reporting in this file. No additional codes or changes are permitted. If a code is reported that is not in this list, then the record will be rejected. Note: Although some of these codes are equivalent to SFDMS coding, some are not.

Status	Description	Status	Description
01	CHAPTER 13 BANKRUPTCY	30	THIRD PARTY SALE
03	CRAMDOWN	32	MILITARY INDULGENCE
04	CONDO ACTION	42	DELQ/STD COLLECTION PROCESS
08	CHAPTER 7 BANKRUPTCY	43	FORECLOSURE STARTED
09	FORBEARANCE	45	FORECLOSURE COMPLETED
10	PARTIAL CLAIM	46	PROPERTY CONVEYED TO INSURER & CLAIM SUBMITTED
12	REPAYMENT	47	DEED IN LIEU
15	PRE-FORC ACCEPTANCE PLAN AVAILABLE	49	ASSIGNMENT/REFUNDING
17	PRE-FORC SALE	68	FIRST LEGAL/FORECLOSURE IN PROCESS
20	REINSTATED BY MORTGAGOR WHO RETAINS OWNERSHIP	73	CHARGE-OFF/NO RELEASE
26	REFINANCE	78	UNCLAIMABLE CONDITION
28	MODIFICATION	99	EXPENSE REIMBURSEMENT PENDING

CHFA Default Reason Codes

Use standard FHA Single Family Housing SFDMS Default Reason Codes. The most common are listed below; a complete list can be found on the HUD's website under "Single Family Default Monitoring System (SFDMS) Reporting Codes" https://portal.hud.gov/hudportal/documents/huddoc?id=SFDMSCodes.pdf

Code	Cause of Default	
01	Death of Principal Borrower	The delinquency is attributable to the death of the principal Borrower.
02	Illness of Principal Borrower	The delinquency is attributable to a prolonged illness that keeps the principal Borrower from working and generating income.
03	Illness of Borrower's Family Member	The delinquency is attributable to a principal Borrower having incurred extraordinary expenses as the result of the illness of a Family Member or having taken on the sole responsibility for repayment of the mortgage debt as the result of the Co-Borrower's illness.
05	Marital Difficulties	Delinquency is attributable to problems associated with a separation or divorce, such as a dispute over ownership of the property, a decision not to make payments until the divorce settlement is finalized, or a reduction in the income to repay the mortgage debt.
06	Curtailment of Income	The delinquency is attributable to a reduction in the Borrower's income, such as a garnishment of wages, a change to a lower paying job, reduced commissions or overtime pay, or loss of a part-time job.
07	Excessive Obligations – Same Income, Including Habitual Nonpayment of Debts	The delinquency is attributable to a Borrower having incurred excessive debts (either in a single instance or as a matter of habit) that prevent them from making payments on both those debts and the mortgage debt
14	Military Service	The delinquency is attributable to the principal Borrower having entered Active-Duty status and their military pay is insufficient to enable the continued payment of the existing mortgage debt.
15	Other	Should be rarely used – additional reason codes at the request of the industry have been added; indicates that the delinquency is attributable to reasons that are not otherwise included in the list.
16	Unemployment	The delinquency is attributable to a reduction in income resulting from the principal Borrower having lost their job.
31	Unable to Contact Borrower	For use with 30 and 60 Day delinquencies where contact with the Borrower has not yielded a response; should be used rarely for any 90 Day or more delinquency. Indicates that the reason for delinquency cannot be ascertained because the Borrower cannot be located or has not responded to the Servicer's inquiries.
INC	Incarceration	The delinquency is attributable to the principal Borrower having been jailed or imprisoned (regardless of whether they are still incarcerated).

Servicer Delinquency & Foreclosure Status Reporting File Format

Files must be submitted in standard "Comma Separated Values (CSV)" format. All fields must be included on all lines. Please note that the field names below with a (req) tag are required entries. Records will be rejected if left blank, pass blanks for the remaining fields if data is not available.

FIELD	SERVICER CODE (req)	BORR LAST NAME (req)	CHFA LOAN NUMBER (req)	SERVICER LOAN NUMBER (req)	DELQ STATUS (req)	AS OF DATE (req)	DELQ REASON (req)	DEFAULT LETTER SENT	FCL START DATE	DATE OF FIRST LEGAL ACTION	SERVICING CONTACT - NAME (req)	SERVICING CONTACT - PHONE # (req)	SERVICING CONTACT - EMAIL (req)	DATE TITLE VESTED WITH CHFA	OCC STATUS (req)	FIRST TIME VACANT DATE	LAST PROPERTY INSPECTION DATE	FHA PART A OR VA ToC COMPLETED	FHA PART A OR VA EXPENSE CLAIM FILED	PMI/USDA INSURANCE CLAIM FILED
Sample Data:	0144	SMITH	012345	0000000036 0201	68	02152017	02	11012014	05042015	08012015	Doe, John	860-555-1212	doe.john@servicer.com		OCC			<BLANK> -- For date fields with no values, leave blank or zero fill (i.e. '00000000')		
Sample Record:	0144,SMITH,012345,00000000360201,68,02152017,02,11012014,05042015,08012015,"Doe, John",860-555-1212,doe.john@Servicer.com,,OCC,,,,,,																			
FORMAT	####	TEXT	######	TEXT - 20 CHAR MAX	$$	MMDDYYYY	$$$	MMDDYYYY	MMDDYYYY	MMDDYYYY	TEXT 50 CHAR MAX	TEXT 20 CHAR MAX	TEXT 50 CHAR MAX	MMDDYYYY	$$$	MMDDYYYY	MMDDYYYY	MMDDYYYY	MMDDYYYY	MMDDYYYY
DESCRIPTION	CHFA CODE ASSIGNED FOR THE SERVICER BEING REPORTED	LAST NAME OF PRIMARY BORROWER	CHFA's LOAN NUMBER - 6 DIGITS RIGHT JUSTIFY ZERO FILL	SERVICER'S INTERNAL REFERENCE NUMBER FOR THIS LOAN	USE CHFA CODES PROVIDED. Refer to the CHFA Delinquency & Foreclosure Status Codes table for applicable codes	DATE WHEN THIS DELINQUENCY STATUS BECAME EFFECTIVE	USE SFDMS DEFAULT REASON CODES. Refer to the Default Reason Codes table for common codes	DATE NOTIFICATION OF DEFAULT LETTER WAS SENT	DATE FORECLOSURE PROCESS STARTED	DATE FIRST PUBLIC LEGAL ACTION REQUIRED TO INITIATE FORECLOSURE WAS COMPLETED	NAME OF PRIMARY CONTACT AT SERVICER FOR ISSUES RELATED TO THIS LOAN	CONTACT PHONE #	CONTACT EMAIL	DATE TITLE WAS TRANSFERRED TO CHFA	"OCC" FOR OCCUPIED, "VAC" FOR VACANT, "UNK" FOR UNKNOWN	DATE PROPERTY BECAME VACANT	LAST DATE PROPERTY WAS INSPECTED	DATE CONVEYED TO GUARANTOR	FILING DATE OF FHA / VA EXPENSE CLAIM	FILING DATE OF MORTGAGE INSURANCE CLAIM

7.9 Forms List

FORM NAME	FORM CODE	LAST REVISED
COMBO FORM: Monthly Remittance Reconciliation Report | MRR Funds Transmittal Advice Report | FTA	IRRG/MRR-FTA	April 22, 2025
Regular Payoff Form	IRRG/PAYOFF	April 22, 2025

SAMPLE PAYOFF FORM

CONNECTICUT HOUSING FINANCE AUTHORITY

** REQUIRED FORM **

CONNECTICUT HOUSING FINANCE AUTHORITY

LOAN PAYOFF

CHFA SERVICER #: ______________________ PREPARED BY: ______________________

SERVICER NAME: ______________________ CONTACT PHONE #: ______________________

CONTACT E-MAIL: ______________________

CHFA LOAN #: ______________________ SERVICER LOAN #: ______________________

MORTGAGOR'S NAME: ______________________

LOAN PAYOFF DATE: ______________ DATE REMITTED: ______________________

(Should be within 3 business days from payoff date)

PRINCIPAL BALANCE PRIOR TO PAYOFF, PER LATEST CHFA DETAILED LEVEL PAYMENT BILLING:

DATE OF CHFA DETAIL LEVEL PAYMENT BILLING REPORT USED:

DO YOU HAVE A UPB DIFFERENCE WITH CHFA ON LATEST BILLING REPORT?

(If Yes, please explain/contact CHFA to remedy the difference)

PAYMENTS APPLIED AFTER LATEST CHFA BILLING REPORT USED (Will be remitted to CHFA with next monthly regular remittance):

(Add lines as necessary)

Transaction Type	Due Date	Principal	Interest	Servicer Fee	UPB After Transaction
TOTAL					

TOTAL TO BE REMITTED TO CHFA WITH NEXT MONTHLY REMITTANCE: ______ (Prin + Int - S/F)

INTEREST PAID-TO-DATE AT PAYOFF:

SERVICER PRINCIPAL BALANCE AT PAYOFF (PRINCIPAL COLLECTED AT PAYOFF):

INTEREST COLLECTED AT PAYOFF (ADD):

SERVICER FEE RETAINED AT PAYOFF (SUBTRACT):

TOTAL REMITTED FOR PAYOFF (WITHIN 3 BUSINESS DAYS AFTER PAYOFF DATE):

FORM IRRG/PAYOFF
Rev. April 22, 2025

SAMPLE MRR-FTA FORM

CONNECTICUT HOUSING FINANCE AUTHORITY

** REQUIRED FORM **

SERVICER NAME:		
CHFA SERVICER NUMBER:	PERIOD ENDING:	

FUNDS TRANSMITTAL ADVICE (FTA)

	Amount	Notes
PRINCIPAL COLLECTIONS +		
INTEREST COLLECTIONS +		
SERVICER FEE RETAINED -		
SHORTAGE OR OVERAGE FROM BILLING +/-		
SHORTAGE OR OVERAGE FROM PAYOFFS +/-		
TOTAL MONTHLY REMITTANCE	-	

	Amount	Date Remitted	Notes
MID-MONTH PAYMENT			
MONTH-END PAYMENT			
OTHER PAYMENTS (EXCLUDING PAYOFFS)			
TOTAL MONTHLY REMITTANCE	-		

MONTHLY REMITTANCE RECONCILIATION (MRR)

	Amount	Notes
TOTAL DUE (FROM CHFA BILLING REPORT) +		
PREPAYMENTS (P) +		
CURRENT CURTAILMENTS (CC) +		
PREPAID CURTAILMENTS (CF) +		
DELINQUENT LEVEL PAYMENTS (D) -		
REVERSALS OF LEVEL PMT OR CURTLMNT (RN,RP,RC) -		
DELINQUENCIES AT PAYOFF (DP) -		
SERVICER FEE RETAINED -		
NET AMOUNT DUE	-	
OVER/SHORT REMITTANCE	-	

	Amount	Notes
ENDING LOAN COUNT		
ENDING PRINCIPAL BALANCE		

ADDITIONAL NOTES:

FORM IRRG/MRR-FTA
Rev. April 22, 2025

8.1 Overview

The Servicer's responsibility is to collect all payments due under the Mortgage Loan documents until the interest and principal due have been paid in full. All payments on the Mortgage Loans are due and payable on the first (1st) day of each calendar month, with the interest to be paid for the immediately preceding month. All monthly interest calculations shall be made using a thirty (30) day month and three hundred sixty (360) day year. Interest on payoffs is to be calculated based upon the actual number of days elapsed from the last paid installment date through and including to the applicable date the Mortgage Loan pays off, divided by the actual number of days in the year. The Servicer shall (subject to the deduction of fees due and payable to the Servicer) promptly deposit, after collection, the principal and interest portions of each payment received for a Mortgage Loan in separate custodial bank accounts established for CHFA funds (the "Trust Account") and deposit the remainder of such payment applicable to taxes and insurance premiums in escrow bank accounts established by Servicer for such purpose (the "Impound Account"). The records for the Trust Account shall reflect that it is held in trust for CHFA. Any interest payable to the Mortgage Loan borrowers for escrows or any other funds held by the Servicer, shall be paid by the Servicer, at the Servicer's sole expense. The Servicer shall deliver to each Mortgagor a loan payment coupon book or periodic statements in paper or electronic format in substantially the same form as mortgage loans serviced for Fannie Mae (or otherwise as directed by CHFA), which fully comply with all applicable state and federal laws, rules and regulations including, but not limited to, the provisions contained in the federal Real Estate Settlement Procedures Act of 1974 and any and all amendments, modifications, restatements, or replacements and all regulations related thereto (collectively, "RESPA"), and also which, at a minimum, set forth the dollar amount of the payment that is due and the date that such payment is due.

The Servicer shall maintain at all times at its own expense an errors and omissions policy and an adequate blanket fidelity bond on all employees handling CHFA funds, monies, documents and papers, which policy and bond is acceptable to CHFA and shall protect the Servicer and CHFA against losses, negligence, dishonesty, theft, forgery, larceny, fraud and misappropriation.

8.2 CHFA Contacts

lossmitigation@chfa.org

- Loss Mitigation
- Modifications
- Short Sale
- Deferrals
- Deed-In-Lieu
- Subordinations

notifications@chfa.org

- Foreclosure/Legal
- Bankruptcy
- Conveyance Deed Execution
- CHFA Demand/Curtailed Debenture Interest
- Title/REO Notification
- REO And Property & Preservation

forclaims@chfa.org

- Claims/Expense Reimbursement

delqreport@chfa.org

- Default Reporting

investorreporting@chfa.org

- All Investor Reporting Matters

For escalated matters please contact liisa.koeper@chfa.org

8.3 Safekeeping of Authority Documents

The Servicer will act as document custodian for CHFA or designate a document custodian to hold all CHFA mortgage records. The Servicer or its designated document custodian will comply with all State of Connecticut document preservation requirements applicable to CHFA. These requirements can be found at www.cslib.org. Mortgage records remain the property of CHFA, and the Servicer will provide copies or return originals to CHFA promptly upon request at no cost to CHFA. The Servicer will be responsible for any loss sustained by CHFA resulting from loss or damage to CHFA mortgage records delivered to or retained by Servicer.

8.4 Escrow Responsibilities

In accordance with all applicable federal and State laws and regulations, the Servicer shall escrow for real estate taxes, mortgage insurance premiums and hazard insurance premiums (when hazard insurance premiums are required to be escrowed by the mortgage insurer or guarantor). The Servicer shall pay interest on escrow deposits at a rate not less than the minimum requirement set forth in applicable statutes or regulations of the State of Connecticut. CHFA does not prohibit reasonable and prudent investment of such escrow funds. The Servicer shall manage the escrow account held for each Mortgage Loan in accordance with all applicable state and federal laws, rules and regulations including the provisions contained in the federal Real Estate Settlement Procedures Act of 1974 ("RESPA"). For all Mortgage Loans for which an escrow account was established, the Servicer shall pay all taxes and insurance premiums for the Mortgage Loan real property covered by the mortgage lien when due and prior to any applicable penalty from the custodial bank account in which the previously collected tax and insurance premium were deposited, and at least annually furnish the Mortgagor a statement as to the amount and payment thereof. The term "taxes and insurance premiums" as used herein, means those payments (other than principal, interest, and late charges) to be made by Mortgagor that are required by the terms of the Mortgage Loans, including taxes, special assessments, and fire, hazard and/or flood insurance. If the escrow account balance is not sufficient to pay the taxes or insurance premiums, then the Servicer must advance the necessary funds from its corporate funds and then may recover such advances from the Mortgage Loan borrower in accordance with this Operating Manual.

8.5 Homeowners Insurance

The Servicer shall require Mortgagors to keep hazard insurance in force of a type at least as protective as fire and extended coverage upon the mortgaged properties, assuring that all buildings and improvements covered by each Mortgage Loan in an amount sufficient to cover the outstanding principal balance of the Mortgage Loan or the full insurable value of the improvements on the mortgaged property, whichever is less.

Coverage shall be provided by insurers licensed to do business in the State of Connecticut. In no event shall the amount or type of coverage be less than the amount or type required by the applicable mortgage insurer or guarantor.

- For a home sale price up to and including $250,000, maximum deductible is $2,500.
- For a home sale price $250,001 to $400,000, maximum deductible is $3,500.
- For a home sale price $400,001 to $550,000, maximum deductible is $4,000.
- For a home sale price greater than $550,000, maximum deductible is $5,000.

All such policies shall contain a standard mortgagee clause in favor of CHFA. In the case of a mortgaged property subject to multi-unit master hazard insurance coverage where it is impossible to obtain a standard mortgagee clause in favor of CHFA, the Servicer shall notify the insurer of each individual Mortgage Loan and obtain a certificate which shows CHFA as a “general loss payee”.

In the event of failure of the Mortgagor to maintain such insurance in full force and effect, such insurance shall be maintained by the Servicer at the expense of the Mortgagor.

The physical possession of such policies is not required so long as the Servicer maintains mortgage loan impairment insurance, naming as an additional named insured: “Connecticut Housing Finance Authority and/or its successors and assigns as their interests may appear”. In such a case, the Servicer shall furnish a certificate to CHFA which verifies such coverage and expressly affirms that ten (10) days' written notice of change or cancellation will be given to CHFA.

During the entire term of the mortgage, the Servicer shall require mortgagors to keep in force all required mortgage insurance or guarantees.

If a policy of insurance requires the original policy to be presented in order to make a claim thereon, then the Servicer shall retain the original as long as such insurance policy is in force and effect. In the event the Servicer is unable to obtain such insurance, the Servicer shall immediately advise and keep CHFA fully informed of any and all steps it is pursuing.

When appropriate, the Servicer shall notify any and all hazard and flood insurance companies which have issued policies for the Mortgage Loan property, and any other parties required by state or federal law, rule or regulation, that a Mortgage Loan is being serviced by Servicer.

The Servicer shall, where and when appropriate, make proper and timely applications, including the filing of all necessary notices, for all fire, casualty, and/or flood insurance payments due to CHFA relating to a Mortgage Loan, and shall submit such reports and apply the said funds in the manner provided in this Operating Manual.

In the event of loss or damage to the Mortgage Loan property in excess of $25,000, Servicer shall promptly notify CHFA at notifications@chfa.org.

When the Servicer is notified of property damage exceeding $10,000, the Servicer must make a physical inspection of the mortgaged property. Servicers must monitor the restoration related to the insurance claim to completion in accordance with FNMA guidelines.

Servicers are responsible for the proper endorsement of insurance loss checks.

8.6 Inspections and Notifications by Servicer

The Servicer shall make an inspection of any Mortgage Loan property in the event of any of the following occurrences:

1. Mortgage Loan delinquency of ninety (90) days and no contact has been made with the mortgagor.
2. Loss claim for damage to the Mortgage Loan property over $10,000.
3. Receipt of credible notification or credible indication of the vacancy, abandonment or deterioration of the Mortgage Loan property.

The Servicer shall, promptly notify CHFA of any actual knowledge that Servicer may acquire that:

1. Any Mortgage Loan property, or any part thereof, is out of repair or has deteriorated to an extent that is material.
2. Waste is suffered or committed with respect to any Mortgage Loan property to an extent that is material.
3. Any Mortgage Loan property has been materially damaged (i.e., in excess of $25,000) by fire or other casualty.
4. Vacancy by the mortgagor continuing for more than one month.
5. Abandonment of the Mortgage Loan property.
6. Sale or transfer of the legal or equitable title to the Mortgage Loan property or any part thereof.

8.7 Release of Mortgage

The Servicer of the CHFA first or second Mortgage loan *(including any forgivable loan, if applicable)* will prepare and execute the Release of Mortgage on behalf of CHFA. Servicers must process lien releases for paid-in-full loans according to applicable Connecticut law. CHFA’s Mortgage Loan Servicing Agreement gives a Limited Power of Attorney to each Servicer to authorize the Servicer to release CHFA Home Mortgage loans that it services when the loans are paid in full. The Servicer will prepare and execute the applicable release of mortgage on behalf of CHFA.

8.8 Assumption of Loans

A. Qualifications Prior to Assumption

No Loan may be assumed without prior written approval of CHFA. CHFA may approve an assumption of a Loan only if the assuming party qualifies as an Eligible Borrower under Sections 2.1 to 2.5 and the property qualifies as an Eligible Dwelling under Section 2.6. In addition, disclosure and acknowledgment requirements of FNMA, FHLMC, VA, FHA, and USDA rules and regulations relating to assumption of mortgages, as applicable, must be met.

1. Must be a first-time homebuyer (have not owned a principal residence over the most recent 3-year period) unless the property was located in a Targeted Area at the time of initial loan closing.
2. Must meet income limit requirements at the time of initial loan closing.
3. Must meet sales price limits at the time of initial loan closing.
4. Must meet all CHFA overlay requirements currently in effect.
5. Must be creditworthy and demonstrate borrower has the financial ability to make the monthly payments on the mortgage.
6. May not own any other residential property at the time of the closing of the assumption.

B. Mortgage Insurance and Guaranty Restrictions

In order to meet the requirements of Federal law relating to non-assumption of Mortgage Loans, CHFA requires provisions to be stated in all Loans which provide for acceleration of the maturity ("Due on Sale" provisions) on the sale or conveyance of the security property to a person ineligible for a CHFA Loan. CHFA may only approve assumptions if the following additional criteria, as applicable, are satisfied:

1. In the case of a VA-guaranteed Loan, a copy of the veteran's consent statement, as required by 36 CFR Section 36.4306(a) and (e), must be on file with CHFA.
2. In the case of a PMI-insured Loan, the assumption must obtain written PMI approval for the transfer of interest or obtain CHFA mortgage insurance.
3. In the case of a USDA guaranteed loan, the assumption must obtain written USDA approval to be provided to CHFA.
4. In case of FHA, follow applicable FHA guidance.

C. Required Documentation

The Servicer shall submit a request for assumption approval together with evidence to establish the eligibility of the borrower and of the dwelling as of the time of the assumption request to CHFA. Such evidence shall include:

1. CHFA loan number, existing borrower name(s), and property address;
2. Copy of the Mortgage Loan Application submitted by purchaser(s)/assumptors;
3. Current income verification for all new mortgagors (2 pay stubs and most recent W2, or, if self-employed, most recent 1-year complete signed Federal Tax Returns including all schedules– personal and business, if applicable);
4. Verification of any other income (Awards letter: social security, pension, etc.);
5. Documentation of any child support or separate maintenance payments received or paid to another party, if applicable;
6. Divorce order, if applicable
7. Recorded quit claim deed, if applicable
8. 3-years Federal Tax Returns or Fraud Guard report to reflect no ownership interest in a primary/principal residence over the most recent 3 years;
9. Tri-merge mortgage credit report
10. 2 months asset statements (checking, savings, stock, retirement, 401(k), etc.) to reflect sufficient assets for the transaction
11. Copy of ratified sales/purchase/assumption contract or agreement;
12. Acquisition cost worksheet signed by new assumptor(s) and assumptee(s);

D. <u>Assumption Closing</u>

1. CHFA will review the eligibility of the proposed assumption and the dwelling. If acceptable, CHFA will issue written approval of assumption. The assumption closing may not take place unless the Servicer has received approval from CHFA.

2. CHFA will require the following documents to be submitted with a Notice of Assumption letter from the Servicer subsequent to the closing:

   a. Original assumption agreement which shall have been recorded on the land records and shall include language affirming the outstanding mortgage and a promise to pay the remaining principal balance of the debt, with interest.
   b. Evidence of PMI Mortgage Insurance approval, if a PMI Loan.
   c. USDA *(Form 3555-17)* with the completed assumption agreement block in the case of a USDA Loan.

E. Assumption Fees

The Servicer may charge an assumption fee of 1% of the current outstanding balance of principal for a PMI or uninsured loan. In the case of an FNMA, FHLMC, or FHA insured and VA Guaranteed loans, a loan insured by FHA or guaranteed by VA may be assumed pursuant to applicable federal requirements.

F. Release of Liability

CHFA will not release any borrower from liability following an assumption, except in cases where a court issued divorce decree removes a co-borrower from the title of the collateral property, and the remaining co-borrower meets all the requirements described above.

8.9 Recapture Tax

Congress enacted legislation in 1988, subsequently amended in October of 1990, to recapture a portion of the "subsidized amount" from home buyers who receive qualified mortgage bond assistance after January 1, 1991. This includes all buyers who use CHFA loans and Mortgage Credit Certificates (MCC), dispose of an interest in their residence within nine (9) years of purchase, and whose incomes substantially increase. The amount of Recapture Tax that Borrower(s) might have to pay depends on how much their income has increased, their family size at the time of sale, the original amount of their mortgage, the length of time they owned their home and any gain realized on disposition of the home. The recapture amount is the lesser of:

(1) 50 percent of the gain realized on disposition, or
(2) A percentage of the subsidized amount. The percentage is the product of the holding period percentage and the income percentage (both discussed below).

A. The Borrower(s) is responsible for calculating and paying the Recapture Tax, if any, as additional Federal tax liability for the tax year in which the interest in the home is disposed. However, at the time of the loan, Participating Lenders are required to provide homebuyers with the Authority's "Notice of Potential Recapture Tax" *(CHFA Form 051-0597)*, and "Understanding Tax *(CHFA Form 050-0597)* at the time of application. The "Method to Compute Recapture Tax" *(CHFA Form 052-1195)* is also provided to homebuyers with closing documentation:

B. **<u>No Recapture Tax is due and the Borrower(s) does not need to do the calculation if any of the following occurs</u>**:

1. The Borrower(s) disposes of his home later than nine (9) years after the mortgage loan is closed.
2. The home is disposed of as a result of the Borrower(s) death.
3. The Borrower(s) transfer the home either to his spouse or former spouse incident to divorce and no gain or loss was incurred on the transfer and included in his Federal taxable income.
4. The home was disposed of at a loss.
5. The Borrower(s) modified adjusted gross income for the year in which the home is sold does not exceed the Threshold Income, adjusted for family size, for such year. Modified Adjusted Gross Income is calculated as follows:

Adjusted Gross Income from IRS 1040	$ ____________
Tax exempt income earned for the year	+ ____________
Subtract the gain on sale of the home if the gain was included in adjusted gross income	- ____________
Modified Adjusted Gross Income =	$ ____________

C. Several steps are required to calculate the actual recapture amount owed. Please consult the Internal Revenue Service ("IRS") Recapture of Federal Mortgage Subsidy Form 8828 and the instructions for completing IRS Form 8828.

D. **Limitations and Special Rules on Recapture Tax**

1. If you give away your home (other than to your spouse or ex-spouse incident to divorce), you must determine your actual Recapture Tax as if you had sold your home for its fair market value.
2. If your home is destroyed by fire, storm, flood, or other casualty, there generally is no Recapture Tax if, within two (2) years, you purchase additional property for use as your principal residence on the site of the home financed with your original subsidized mortgage loan.
3. In general, except as provided in future regulations, if two or more people own a home and are jointly liable for the subsidized mortgage loan, the actual Recapture Tax is determined separately for each person based on their interests in the home.
4. Refinancing the loan does not result in a Recapture Tax. If the home

is disposed of subsequent to the refinancing, but prior to the original nine (9) year holding period, Recapture Tax may be due.

5. **<u>CHFA Reimbursement for Recapture Tax Payment:</u>** Borrower(s) that closed their CHFA first mortgage loan <u>on or after March 18, 2013</u> and are required to make a Recapture Tax payment, may be eligible to receive reimbursement from CHFA.
6. To request reimbursement from CHFA, borrower(s) must submit a written request to CHFA no later than December 31st of the year that the Federal Recapture Tax is owed and paid. Example: if the subject property is sold in 2013 and the tax return is filed in 2014, the request for reimbursement must be filed no later than December 31, 2014.

E. <u>Filing the CHFA Reimbursement Request</u>

To request Recapture Tax Reimbursement, borrower(s) must submit a written request to CHFA along with the following documentation:

1. A copy of the TRID – Closing Disclosure *(Formerly HUD- 1 Settlement Statement)* - proof of sale of the property or, in the instance where the home is disposed of by a method other than sale, documentation evidencing the transfer of title and the Recapture Tax assessment; and
2. A copy of the signed and filed Federal Tax Return, along with all schedules including IRS Form 8828, for the year in which the Recapture Tax was assessed and paid; and
3. A completed IRS form 4506-T must be submitted directly to the IRS for each current owner listed on the mortgage loan documents requesting transcripts for the year in which the home was sold. The original <u>transcripts received from the IRS, including Form 8828, must be submitted to CHFA with all other requested documentation</u>; and
4. Evidence of payment of the Recapture Tax; and
5. Recapture Tax Reimbursement Request *(CHFA Form 049-0313).*
6. Mail the complete Recapture Tax Reimbursement request package to:

Connecticut Housing Finance Authority
Finance Dept. - Recapture Tax Reimbursement
999 West Street
Rocky Hill, CT 06067

Note: CHFA may require additional information and/or documentation in order to approve a request for reimbursement and such approval shall be granted at the sole discretion of CHFA, subject to funding constraints and applicable statutory and procedural requirements.

The Connecticut Housing Finance Authority provides applicants receiving a Recapture Tax payment reimbursement, a year-end form 1099 - Miscellaneous for tax purposes, per Internal Revenue Service requirements.

8.10 CHFA Delinquency Intervention Counseling Program

Connecticut Housing Finance Authority (CHFA) offers free delinquency intervention counseling to borrowers who are sixty (60) days delinquent on their mortgage loan. When a borrower is 60 days delinquent, the Servicer must send a letter informing the borrower of this counseling and forward a referral to a CHFA approved counseling agency. The counseling agency will work with the borrower to analyze their financial situation and develop an action plan to bring the loan current or other loss mitigation solutions. The plan must be presented to Servicer for approval. The Servicer must simultaneously perform prudent collection efforts in compliance with State and Federal regulations, as well as follow applicable insurer/guarantor guidelines.

The Servicer follow-up with the borrower is conducted at one, three and six months to discuss and identify any changes that may have occurred that will influence that action plan. Follow-up counseling sessions are conducted, as necessary.

8.11 Default Servicing Standards and Expectations

The Servicer shall take all steps necessary and proper to enforce the rights of CHFA under any Mortgage Loan that is in default. As required in Section 7.8 of this Operating Manual, the Servicer shall keep CHFA fully informed of all steps it is pursuing, which steps may include the designation of counsel for the prosecution of foreclosure or similar legal proceedings on behalf of CHFA. CHFA reserves the right upon written notice to Servicer and in CHFA's sole option and commercially reasonable discretion, to designate foreclosure counsel of its choice. The Servicer shall take all necessary actions to protect and maintain CHFA's first Mortgage Loan lien priority including making protective advances to satisfy priority liens or foreclosure judgements with respect to real estate taxes, water and sewer assessments, condominium association assessments or other priority assessments. The Servicer shall also take all necessary actions to prevent a priority lien foreclosure action to proceed to judgment in order to limit foreclosure costs and expenses. In the event of a foreclosure sale pursuant to an action not brought by CHFA, the Servicer or its agent shall, following guidance provided by CHFA, satisfy the foreclosing lien or attend the sale, bid, if necessary, and take all other steps needed to protect CHFA's Mortgage Loan first lien priority. If a foreclosed Mortgage Loan is an insured or guaranteed mortgage, the Servicer will follow all procedures required by the mortgage insurer or guarantor to ensure a timely recovery of all insurance proceeds due to CHFA as the owner of the Mortgage Loan. The

Servicer shall file all FHA/HUD claims on behalf of CHFA utilizing CHFA's number as the holder of the policy. In carrying out its responsibilities regarding delinquencies and defaults under this Agreement, the Servicer will comply with all regulations and requirements of the Consumer Financial Protection Bureau, the Fair Debt Collection Practices Act, the United States Bankruptcy Code and any other applicable rule or regulation of a federal, state or local governing body.

The Servicer shall maintain a sound, effective collection program adequately staffed by qualified personnel to minimize delinquencies, foreclosures and foreclosure expenses. The Servicer shall take prompt action to collect all sums past due utilizing, without limitation, telephone, notices and letters (electronic or otherwise), field visits and personal interviews, and shall also act to cure any other Mortgage Loan defaults which come to the attention of the Servicer. The Servicer shall assess late charges in accordance with the terms of the Mortgage Loans. The Servicer shall apply commercially reasonable efforts to maintain the maximum possible number of Mortgage Loans in a current status, dealing quickly and effectively with Mortgagors who are delinquent or in default. The Servicer shall promptly inform CHFA, pursuant to the reporting format established in this Operating Manual of any delinquent Mortgage Loan. In the event that the foreclosure action is discontinued, the Servicer shall recommence all regular servicing. Servicer's delinquent Mortgage Loan servicing program shall include: (a) an adequate accounting system which will immediately and positively indicate the existence of delinquent Mortgage Loans; (b) a procedure that provides for sending delinquent notices, assessing late charges and returning inadequate payments; (c) procedures for the individual analysis of distressed or chronically delinquent Mortgage Loans; and, (d) reporting of the status of the Mortgage Loans to credit reporting agencies. The Servicer will also attempt to contact delinquent or in default mortgagors through a routine system of outbound telephone calls or alternative electronic technologies. The Servicer shall provide a toll-free number for use by CHFA and mortgagors.

8.12 Bankruptcy

The Servicer will maintain the expertise required to undertake collection efforts of Mortgage Loans that are in bankruptcy and Servicer shall undertake such efforts, which are not in violation of the United States Bankruptcy Code, to collect such delinquent Mortgage Loans in bankruptcy. The Servicer shall report all bankruptcy, whether delinquent or not, to CHFA in the manner described in Section 7.8 Default Reporting. The Servicer shall hire counsel as appropriate to protect CHFA's interests.

8.13 Loss Mitigation

Servicers must follow the most up-to-date and appropriate insurer or guarantor guidance for available loss mitigation tools.

Loss Mitigation tools for FHA guaranteed loans include (note: some may be used in combination with others):

- Special Forbearance: Provides a written payment plan for the borrower to become current on their mortgage.
- Loan Modification: A permanent extension in the loan term that results in a payment that the borrower can afford.
- Partial Claim: Allows a delinquent mortgage to be reinstated by advancing HUD funds to pay the arrearage. A promissory note or "partial claim note" is issued. Currently the partial claim note carries no interest and is not due and payable until the borrower either pays off the first mortgage or no longer owns the property.
- Pre-foreclosure Sale: Allows a borrower in default to sell the property and use the sale proceeds to satisfy the mortgage debt, even if the proceeds are less than the amount owed.
- Deed in Lieu of Foreclosure: The borrower voluntarily deeds the property to HUD in exchange for a release from all obligations under the mortgage.

Loan Retention Loss Mitigation tools for non-FHA loans include:

Forbearance, deferral agreements, modifications, pre-foreclosure (short) sales and deed-in-lieu of foreclosures are also loss mitigation options for loans insured by private mortgage insurance (PMI) companies, the Veteran's Administration (VA), United Stated Department of Agriculture (RD/USDA), CHFA insured loans and uninsured loans. In addition, the private mortgage insurance companies, VA and USDA may offer a product similar to the FHA partial claim.

The home retention waterfall is:

1. **Informal Forbearance** A verbal forbearance that is limited to 3 months. Typically, this is followed by an informal repayment plan or a formal deferral.
2. **Informal repayment plan** A verbal agreement between the servicer and borrower to repay the forborne payments over a period of up-to 24 months.
3. **Formal Deferral ("Deferral")** A deferral is limited to 6 months of delinquent PITIA payments which must cure the delinquency. A maximum of two deferrals per life of the loan with the total deferred installments not exceeding 12 (including COVID deferrals). Deferrals must be at least 24 months apart, meaning the start of the second deferral must be 24 or more months from the end of the first deferral.
4. **Standard Modification** which may include capitalization of corporate advances or other protective advances a Servicer may have made on the borrower's behalf.

CHFA'S HOME RETENTION WATERFALL ELIGIBILITY REQUIREMENTS

- The mortgagor(s) must be an owner occupant, have sufficient resources to make the payment on the mortgage and continue to occupy the home.
- The property securing the CHFA mortgage must be a single family (1-4 unit) property and the mortgagor's primary and only residence.
- The existing CHFA mortgage must be in default. For informal forbearance default is defined as 31 days or more past due. For deferrals and modifications default is defined as 61 days or more past due.

WATERFALL STEP 1 - INFORMAL FORBEARANCE

1. Servicer Delegated, CHFA approval is not required.
2. Loan must be at least 31 days past due and no more than 90 days past due, the informal forbearance plan is limited to 3 months.

WATERFALL STEP 2 - INFORMAL REPAYMENT PLAN

1. An informal forbearance may be followed by an informal repayment plan not to exceed 24 months.

WATERFALL STEP 3 - PAYMENT DEFERRAL

PAYMENT DEFERRAL REQUIREMENTS

- Servicer may offer a deferral of up to 6 months of consecutively missed PITIA payments
- The deferral must cure the delinquency.
- A maximum of two deferrals per life of the loan with the total deferred installments not exceeding 12 (including COVID deferrals).
- Deferrals must be at least 24 months apart.
- CHFA will consider a deferral request upon receipt of a complete package.

PAYMENT DEFERRAL PROCESS

1. Servicer will submit the following documents to *lossmitigation@chfa.org*
   - Servicer Loan Retention Certification for Payment Deferral DTR-PAYDEFF.
   - Completed but not signed CHFA Payment Deferral Agreement PyAgree91520-F.
   - A recent loan transaction history and a copy of the recorded mortgage and recorded assignment of mortgage.
   - Note: Servicer is not required to perform a title search or perfect the lien; deferral agreements do not need to be recorded.
2. CHFA will review and authorize.
3. After CHFA's authorization, Servicer will have the borrowers execute two copies of the Payment Deferral Agreement.
4. Once signed, Servicer will mail one copy to CHFA for counter signature.
5. CHFA will return the fully executed Payment Deferral Agreement to Servicer for record retention.

6. CHFA will wire to Servicer the total deferral amount.
7. Servicer will apply the funds to bring the loan current with the borrower's next scheduled payment.
8. Once a deferral agreement is completed, Servicer must remit an amount equal to the number of P&I payments that were deferred (less applicable Servicer fee) to CHFA in the next regularly scheduled remittance.
9. Deferral pre-payments: CHFA will accept partial or pre-payments on deferred amounts. Servicer must remit any deferral payments to CHFA via a separate wire and send a payment ledger to *lossmitigation@chfa.org*. The ledger must include CHFA loan number and amount to be credited to the deferred amount; the ledger must match the wire amount.
10. CHFA will provide a reconciliation of outstanding deferral funds to Servicer on a periodic basis.

WATERFALL STEP 4 – CHFA STANDARD MODIFICATION

CHFA STANDARD MODIFICATION REQUIREMENTS

- All CHFA'S Home Retention Waterfall Eligibility Requirements are met
- The first payment due date must be at least 12 months in the past, and at least four full mortgage payments must have been made.
- All existing subordinate financing must be subordinated or paid off to maintain the first lien priority of the CHFA mortgage.
- All changes in ownership due to death or divorce of the current owners must be supported by legal documentation.
- A complete financial analysis must be performed by the Servicer. The hardship affidavit and documentation supporting the decision to modify the loan must be maintained in the Servicer's review file.
- The total DTI cannot exceed 55%.
- The modified UPB cannot exceed the original UPB.
- No interest rate change.
- Re-amortization to a new maturity date no more than 10 years past the original maturity date.
- Three-month trial payment plan required.
- Delinquent interest, corporate and escrow advances may be capitalized, up to the original loan amount. If there are corporate and escrow advances that cause the modified amount to exceed the original loan amount, the excess advances can be spread over a period of up to 24 months or the mortgagor may contribute cash to cure outstanding advances in addition to the modification to bring the loan current.
- CHFA will consider a modification request upon receipt of a complete package.

CHFA MODIFICATION PROCESS

1. Servicer will submit the following documents to *lossmitigation@chfa.org*:
    - Loan Modification & Certification CHFA FORM DTR-LMCERT. The certification, on page 2 of CHFA's form, must be signed by an authorized

representative of the Servicer.
- A recent loan transaction history.
- Either a title search or the recorded Mortgage & Assignment of Mortgage to provide the volume & page recording information necessary to prepare the Modification Agreement.

2. If a signer of the original mortgage is not expected to sign the Modification Agreement, provide the appropriate documentation. If a borrower's name has changed since signing the original mortgage, provide proof of legal name change.
3. Requests submitted in any month will have a modification start date 2 months in advance, for example, a request submitted in January will have a 1st due date in March.
4. A request for modification may be submitted pre-trial or post-trial. If pre-trial, CHFA will authorize a trial payment plan, when the trial plan is completed, Servicer will then submit a request for the permanent modification with an updated Loan Modification Form & Certification and a payment history showing receipt of the trial payments.
5. Upon CHFA approval, the Modification Agreement will be provided to the Servicer via email, <u>CHFA will not accept substitute Modification Agreements</u>. The email will also include the Loan Modification bill which explains CHFA's expectation for Servicer remittance based on the modification.
6. After CHFA's authorization, the Servicer will have the borrowers execute two copies of the Loan Modification Agreement, once signed, the Servicer will mail one copy to CHFA for counter signature. <u>Servicers are not delegated to sign Modification Agreements on CHFA's behalf</u>. Please note that each borrower's signature must be notarized, and each signature requires two witnesses.
7. The fully executed Agreement will be returned to the Servicer to have it recorded. The Servicer will provide CHFA with a copy of the title endorsement and a copy of the recorded executed Modification Agreement via email within 60 days of receiving the fully executed Agreement from CHFA.

PRE-FORECLOSURE/SHORT SALE

First Mortgage Short Sale (FHA): Servicers are delegated to process FHA short sales without CHFA review/approval. The Servicer must follow applicable FHA guidelines and file claims as necessary.

First Mortgage Short Sale (non-FHA): CHFA will consider a short sale settlement upon receipt of the following items to *lossmitigation*@chfa.org.

- HUD1 or Closing Disclosure
- Signed Purchase Agreement or Contract of Sale, with addendum if applicable.

- Appraisal
- Borrower Hardship Letter
- Statement of Debt for any junior mortgages or lines, as applicable.
- Evidence the property was listed for at least 15 days on the MLS.
- Insurer approval, if applicable (VA, USDA, MI, unless the Servicer is delegated).
- The following conditions must be met:
- Real estate commissions cannot exceed 6%, dual agency will be at 5%.
- Settlement fees will not exceed $1,250.00 with a $250.00 allowable title cost.
- There can be no seller (borrower) incentives.

CHFA SHORT SALE PROCESS

1. Servicer will submit all required documents to *lossmitigation*@chfa.org.
2. CHFA will review complete requests.
3. If terms of the sale do not meet CHFA's criteria, Servicer will contact the appropriate parties to request the terms acceptable to CHFA.
4. Once approved, CHFA will provide authorization via email.
5. Servicer will provide the net sale proceeds by check or wire to CHFA within 2 business days of the sale.
6. Servicer will provide the final HUD1/Closing Disclosure to *lossmitigation*@chfa.org and forclaims@chfa.org within 2 business days of the sale.

Down Payment Assistance (DAP) Loans or Emergency Mortgage Assistance Program (EMAP) Loans: CHFA will consider a short sale settlement upon receipt of the following items to *lossmitigation*@chfa.org.

- HUD1 or Closing Disclosure
- Signed Purchase Agreement or Contract of Sale, with addendum if applicable.
- Appraisal
- Borrower Hardship Letter
- First Mortgage Statement of Debt and insurer/investor information.

The following conditions must be met if the *first lien is a CHFA mortgage*:

- Real estate commissions cannot exceed 6%, dual agency will be at 5%.
- Settlement fees will not exceed $1,250.00 with a $250.00 allowable title cost.
- There can be no seller (borrower) incentives.

8.14 Foreclosure

Servicers shall follow state and federal standard servicing guidelines and timelines when initiating a foreclosure. Servicer shall remain in compliance with all requirements of all federal and state laws, rules and regulations applicable to mortgage loan servicing, including specific insurer or guarantor requirements. Servicer will hire a law firm to represent CHFA's interests regarding collection and/or foreclosure of delinquent single-family mortgages.

Please follow the current "Allowable Foreclosure Attorney Fees" exhibit as published and periodically updated by Fannie Mae. Servicers are required to monitor the performance of the engaged law firms and are responsible for all issues regarding representation. Foreclosures are to be filed with Connecticut Housing Finance Authority as the plaintiff. Title must vest in Connecticut Housing Finance Authority's name.

8.15 Super Liens

The State of Connecticut has granted "super" priority status to certain types of municipal liens, including property taxes and water and sewer assessments, and up to nine months of unpaid homeowner association ("HOA") fees. As a result, these liens will gain priority over the first mortgage. When a Servicer determines that a borrower is unable to pay an outstanding HOA or municipal debt, the Servicer will satisfy the priority debt the sooner of the receipt of any notification of a pending municipal lien, a Demand Letter or when the Servicer becomes aware of six or more delinquent and unpaid monthly HOA fees.

Servicer shall remain in compliance with all requirements of all federal and state laws, rules and regulations applicable to mortgage loan servicing, including specific insurer or guarantor requirements.

8.16 FHA Conveyance, VA Transfer of Custody & CHFA REO

For all CHFA loans, the Servicer shall inform CHFA of all title vest dates within 48 hours. The Servicer will complete the Title Notification Form **DTR-TITLE** and email it along with the following documents to notifications@chfa.org

- Recorded mortgage deed including legal description
- Instrument placing title with CHFA: certificate of foreclosure, deed-in-lieu, committee deed, etc. including legal description. Recorded if available, if not available at time of initial notification, please send a recorded copy within 30 days
- Latest property inspection report
- First time vacant inspection report, if applicable
- Ejectment/eviction plans, if applicable

FHA guaranteed loans. The Servicer shall follow FHA guidelines for the proper and timely conveyance of the REO to HUD,. Debenture interest that is curtailed for any reason will be demanded of the Servicer. Failure to convey in a timely manner may result in a make-whole demand to the Servicer from CHFA. The make-whole demand may include the unpaid principal balance, interest at the note rate thru make-whole demand date plus any corporate, escrow or foreclosure expenses advanced by CHFA. No additional expense claims will be reimbursed to the Servicer by CHFA.

In the event of a reconveyance of a property by HUD, Servicer shall immediately notify CHFA of the reconveyance and pay the reconveyance billing directly to HUD so that future CHFA FHA claims receipts are not offset. Servicer must email to CHFA at notifications@chfa.org copies of the Preliminary Notice of Intent to Reconvey, Reconveyance Billing, Notice of Intent to Offset, and any other communication Servicer received regarding the reconveyance by HUD or its vendor and proof that Servicer the reconveyance billing was paid directly to HUD. The Servicer shall bear the expense of curing the property and all reacquisition costs associated with the reconveyance.

VA guaranteed loans. Servicer shall follow VA guidelines for proper and timely transfer of custody to VA. Failure to do so may result in a make-whole demand to the Servicer from CHFA. The make-whole demand may include the unpaid principal balance, interest at the note rate thru make-whole demand date plus any corporate, escrow or foreclosure expenses advanced by CHFA. No additional expense claims will be reimbursed to the Servicer by CHFA.

CHFA REO. CHFA will assume custody of all non-FHA or non-VA foreclosed properties, regardless of the occupancy status. CHFA will assume REO responsibilities at title date, providing the Servicer has appropriately notified CHFA and the Servicer has coordinated the handoff of the secured property with CHFA. In the event the property is occupied, the Servicer shall complete all ejectment and/or evictions necessary to render the property vacant. The Servicer will notify CHFA of vacancy as soon as the vacancy is discovered and of lock out dates before they occur.

8.17 Claim Submission and Expense Reimbursement

CHFA will review corporate and escrow advance reimbursement requests from Servicers when the insurer or guarantor recovery process is complete or, for uninsured loans, as soon as title has vested with CHFA, or for a third party foreclosure sale/purchase when funds have been received from the court, or for a short sale upon completion of the sale. Claims for reimbursements must be sent on CHFA FORM DTR-FERR with supporting documentation to forclaims@chfa.org.

A Servicer must use CHFA’s mortgagee number for the filing of HUD claims, list CHFA as the Payee for all PMI claims, list CHFA as the Holder for all VA claims and provide CHFA copies of all claims including supporting back-up at the point of submission to the insurer. In the event that recovery funds are received by the Servicer, they must be delivered in their entirety, to CHFA within five (5) business days of receipt via a separate wire. Recovery funds must not be co-mingled with monthly principal and interest remittances. Copies of letters, explanations of benefits (EOB), Advice of Payment (AOP) or other relevant documentation should be emailed to forclaims@chfa.org. Failure to use CHFA’s mortgagee number for claims filing may result in a penalty of $250 per claim.

CHFA will no longer accept or reimburse expenses submitted by the Servicer after six months from the date that the original insurer claim was filed for HUD guaranteed and VA insured loans, or after six months from title taken date on all other loans.

If recovery has been curtailed due to a Servicer error, CHFA may reduce the expense reimbursement by the curtailed amount. CHFA will review supporting documentation from the Servicer evidencing that it, or its attorney, was not responsible for the curtailment and, at its sole discretion, CHFA may refund Servicer the amount curtailed from the Servicer’s reimbursement request.

For all expense reimbursements due to the Servicer in excess of what the guarantor/insurer has approved, the Servicer must provide CHFA with all required supporting documentation (invoices, system reports evidencing payment, etc.) for the unreimbursed expenses to be considered by CHFA for reimbursement.

In the event of an insurer audit, the Servicer will be liable for payment of all reimbursements and penalties assessed by the insurer for improper claim filing, including but not limited to lack of appropriate supporting documentation.

The Servicer’s wire instructions must be provided to CHFA in accordance with CHFA’s most current requirements. Wire instructions shall be on Servicer’s letterhead, signed by an authorized officer, and must include the following information:

- Servicer’s Bank Name
- Servicer’s Bank Address and ABA Number Account Name
- Account Number
- Mailing Address of the account to be credited
- Contact name and number

All wire instructions must be verbally confirmed by CHFA staff and the Servicer.

CHFA will not be responsible for any delays in the receipt of funds if the requested information is not provided in this format.

8.18 Servicer Contacts

On a periodic basis CHFA will require Servicer to provide updated contact information.

	NAME	TITLE	EMAIL	PHONE
Investor Reporting				
Payoffs				
General Default Servicing Contact				
Default Reporting				
Loss Mitigation/Loan Modifications				
Short sale or Deed-in-lieu				
Subordinations				
Bankruptcy				
Foreclosure/Legal				
Conveyance Deed Execution				
Claims/Expense Reimbursement				
Demands/Curtailed Debenture Interest				
Title/REO Notification				
REO and Property & Preservation				
Escalation Contact				
Document Custodian				

8.19 Forms List

FORM NAME		**FORM CODE**	**LAST REVISED**
FNMA Payment Deferral Agreement	079	PyAgree91520-F	7/1/2020
CHFA Loan Modification		DTR-LNMOD1	1/3/2025

Agreement (*single signer – fillable version*)			
CHFA Loan Modification Agreement (*fillable version*)		DTR-LNMOD2	1/3/2025
Loan Modification & Certification (*fillable version*)		DTR-LMCERT	1/3/2025
Payment Deferral & Certification		DTR-PAYDEFF	1/3/2025
Title Notification Form		DTR-TITLE	1/3/2025
Foreclosure Expense Reimbursement Request		DTR-FERR	TBD