

Colorado Housing and Finance Authority (CHFA)

CHFA Interest Bearing Second Mortgage Loan Instructions for Completion of Documents

The Instructions below are provided to assist CHFA's Participating Lenders with completion of the CHFA Interest Bearing Second Mortgage Loan documents, which include the CHFA HomeOpenersm Plus, CHFA FirstStepsm Plus, and CHFA SectionEightsm Plus. Instructions in bold print indicate a field or fields to be completed by the Participating Lender.

Application Documents

CHFA Form 332A, Good Faith Estimate (GFE)

The Participating Lender must issue a GFE no later than three business days after receipt of an application or information sufficient to complete an application.

Page 1:

Top of the form

The Participating Lender enters its name, business address, telephone number, and email address, if any, on the top of the form, along with the applicant's name, the address of the property for which financing is sought, and the date of the GFE. Do not enter CHFA's name, business address, phone number, and email address in this section.

Important dates

In Line 1, enter the date until which the interest rate for the GFE will be available. In Line 2, enter the date until which the estimate of all other settlement charges for the GFE will be available. This date must be at least 10 business days from the date of the GFE. In Line 3, enter how many calendar days within which the applicant must go to settlement once the interest rate is locked. In Line 4, enter how many calendar days prior to settlement the interest rate would have to be locked, if applicable.

Summary of your loan

Enter the initial loan amount, initial interest rate, and initial monthly principal and interest payment. The loan term is 30 years. For the Summary items, beginning with *Can your interest rate rise?* through *Does your loan have a balloon payment?*, No is checked.

Escrow account information

Enter the monthly principal and interest payment in the first sentence. The Yes box is checked. CHFA recognizes that the escrow account is tied to the first mortgage loan, not the second mortgage loan, and appropriate adjustments will be reflected on the forms. **The Participating Lender should explain to the applicant that the escrow account is a requirement and is collected with the first mortgage payment.**

Summary of your settlement charges

Your Adjusted Origination Charges from subtotal A of page 2 is \$0.00. **Enter Your Charges for All Other Settlement Services from subtotal B of page 2, and the Total Estimated Settlement Charges from the bottom of page 2.**

Page 2:Understanding your estimated settlement charges

Your Adjusted Origination Charges – In Block 1, the origination charge (administrative fee) is \$150.00. In Block 2, the second box is checked. **Enter the interest rate, which must match the rate on Line 3 of the Summary of your loan on page 1. A credit of \$150.00 (paid by CHFA to the originator) is reflected, which will result in \$0.00 for Your Adjusted Origination Charges, which is entered on page 1, Summary of Your Settlement Charges, Block A.**

Your charges for all other settlement services

Although CHFA does not require a settlement fee, originators are permitted to pass through third-party settlement fee charges in connection with the second mortgage loan. If such a fee is charged, it is entered in Block 4. CHFA assumes the Participating Lender will not permit the Borrower to shop for settlement services.

The charge to record the Second Mortgage Loan Deed of Trust is entered in Block 7. Generally, enter \$36.00, which is the fee for the Deed of Trust, with a one-page legal description attached. If there is no attached legal description, still enter \$36.00, as this fee cannot be adjusted up by more than 10 percent at closing. If there is an attached legal description of more than one page, compute the appropriate filing fee and enter it in Block 7.

In Block 10, enter the interest charges per day, number of days, and the estimated settlement date and calculate the interest due at settlement for the daily interest from the date of settlement until the first day of the first period covered by the scheduled mortgage payments.

In Blocks 3, 5, 6, 8, 9, and 11, the amount is \$0.

Your Charges for All Other Settlement Services – **Add the numbers in Blocks 4, 7, and 10 and enter the total amount in Line B and on page 1, Summary of your settlement charges, Block B.**

Total Estimated Settlement Charges – **Add the subtotals from Lines A and B and enter this total at Line A+B, and on page 1, Summary of your settlement charges A+B.**

Page 3:Using the tradeoff table

Complete the left column, The Loan in This GFE, entering the loan amount, interest rate, monthly principal and interest payment, and total estimated settlement charges, using the amounts from page 1.

Do not put any data into the middle and right columns of the tradeoff table.

Using the shopping chart

Leave blank to allow the Borrower to complete in order to compare GFEs.

Note that the GFE does not have signature lines, and signature lines may **not** be added to the form.

CHFA Form 331A, Initial Truth-in-Lending Disclosure

The Participating Lender must issue an Initial Truth-in-Lending Disclosure no later than three business days after receipt of an application or information sufficient to complete an application.

For the CHFA Form 331A, the Lender is Colorado Housing and Finance Authority. **Enter the Borrower Name and Address.**

In calculating the APR, the only permitted fee that will be part of the Finance Charge is the daily interest, and that amount should track with Block 10 of the GFE.

The Number of Payments is 360 and the Amount and When Payments are Due are estimated, based on the anticipated loan amount and settlement date.

The Late Charge is 5 percent of the payment.

Enter the amount of the Filing Fees, which should track with Block 7 of the GFE. The fee is generally \$36.00.

Closing Documents

CHFA Form 306, Second Mortgage Note

Top of form

Insert the Settlement Date and the Property Address.

Paragraph 1

Insert the loan amount (in words and numbers). The Lender is Colorado Housing and Finance Authority.

Paragraph 2

Enter the interest rate.

Paragraph 3

Using the drop-down box, enter the month of the first payment. If the year is not hard-coded, enter the year of the first payment. Using the drop-down box, enter the month of the loan maturity date. If the year is not hard-coded, enter the year of the loan maturity date.

The payment address is CHFA's main office address, 1981 Blake Street, Denver CO, 80202.

Enter the amount of the monthly principal and interest payment.

Paragraph 6

The grace period is 15 days, and the late fee is 5 percent.

Enter the full names of all Borrowers under the signature lines.

Verify the loan terms match the terms on the HUD-1A and Second Mortgage Deed of Trust.

CHFA Form 311, Second Mortgage Deed of Trust

Enter the settlement date, Borrowers' full names, property County, and loan amount (in words and numbers). Using the drop-down box, enter the month of the maturity date (from the Note), and if the year is not hard-coded, enter the year of the loan maturity date (from the Note). Enter property County, legal description, and property address. Enter the Borrowers' full names beneath the signature lines. Ensure the Notary Public correctly and fully completes the Acknowledgment.

Verify the loan terms match the terms on the HUD-1A and Second Mortgage Note.

CHFA Form 332B, HUD-1A

CHFA uses a HUD-1A for its subordinate-lien federally related mortgage loans, such as the Interest Bearing second mortgage loan.

Page 1:

At the top of the form, enter the Borrower's name and address. If the property location is different from the Borrower's address, enter the property address. Enter the CHFA second mortgage loan number in the Loan Number box. The Lender name is Colorado Housing and Finance Authority. Enter the name of the settlement agent, place of settlement and settlement date.

L. Settlement charges

There are three charges permitted by CHFA under its Interest Bearing Second Mortgage Loan program requirements and which should be entered on the HUD-1A:

901 – Daily interest charges (Ties to GFE #10)

1102 – Settlement or closing fee, if required by the Participating Lender. Note: CHFA does not require a settlement fee. (Ties to GFE #4)

1202 – Fee for recording the Second Mortgage Loan Deed of Trust (Ties to GFE #7)

In addition, the \$150.00 administrative fee paid by CHFA to the originator is hardcoded on lines 801-803.

\$0 is entered for all other fields.

1400 – Total the Settlement Charges

M. Disbursements to others

1501 – List all Disbursements to Others, with the Total Disbursed in Line 1520.

N. Net settlement

Enter the second mortgage loan amount in Line 1600. Line 1601 will be \$0.00. Enter Total Settlement Charges (from Line 1400) in Line 1602. Enter the Total Disbursements to Others (from line 1520) in Line 1603. Calculate the Net Settlement and enter the amount in Line 1604.

Page 2:

Comparison of Good Faith Estimate (GFE) and HUD-1A Charges:

Charges that cannot increase

All fields should be \$0.00.

Charges that in total cannot increase more than 10 percentGovernment recording charges

In the Good Faith Estimate column, enter the Recording Fee for Second Mortgage Loan Deed of Trust from Block 7 of the GFE (generally \$36.00). In the HUD-1A column, enter the actual recording charge. If the Participating Lender requires a settlement fee, enter the fee description (e.g., Settlement Fee) and in the Good Faith Estimate column, enter the fee amount from Block 4 of the GFE and the actual fee in the HUD-1A column. Total the Charges in both the Good Faith Estimate and the HUD-1A columns.

If the Total increased between the GFE charges and HUD-1A charges, enter both the dollar amount and the percentage of the increase. If the increase is more than 10 percent, the Participating Lender shall follow HUD guidance regarding total increases of more than 10 percent.

Charges that can change

All fields, except Daily Interest Charges, should be \$0.00. **Enter the amount of the daily interest charge and, in the Good Faith Estimate column, enter the amount from Block 10 of the GFE and the actual Daily Interest Charges in the HUD-1A column.**

Loan terms

Enter the loan amount, loan term, initial interest rate, and the amount of the monthly principal and interest payment. For the Summary items, beginning with *Can your interest rate rise?* through *Does your loan have a balloon payment?*, *No* should be checked. In the final item relating to escrow account payments, the second box, *You have an additional monthly escrow payment of...*, is checked and \$0.00 is entered. **Enter the total monthly payment in the blank.** One of the boxes with a blank field is checked followed by the words, *Collected with 1st Mtg.* **The Participating Lender should explain to the Borrower that the escrow account is a requirement and is collected with the first mortgage payment.**

First Mortgage Loan HUD-1

HUD requires that the second mortgage loan be listed on the HUD-1 for the First Mortgage loan (you may use one of Lines 204-209). The second mortgage gross principal balance should be listed to the left of the Borrower's column (in the shaded area) with a brief explanation. The net proceeds of the second loan (from HUD-1A, Line 1604) should be listed on the HUD-1 in the Borrower's column. **Provide this information to the Settlement Agent for the first mortgage loan.**

Signature lines have been added to the HUD-1A form; CHFA requires that all Borrowers sign all HUD-1A forms.

CHFA Form 331B, Final Truth-in-Lending Disclosure

For the CHFA Form 331B, the Lender is Colorado Housing and Finance Authority. **Enter the Borrower Name and Address.**

In calculating the APR, the only permitted fee that will be part of the Finance Charge is the daily interest, and that amount should track with Line 901 of the HUD-1A.

The Number of Payments is 360 and **the Amount of Payments and When Payments are Due are estimated, based on the terms in the Note.**

The Late Charge is 5 percent of the payment.

Enter the amount of the Filing Fees, which should track with Block 7 of the GFE. The fee is generally \$36.00.

CHFA Form 739, Second Mortgage First Payment Letter

Enter the Borrower Names, Property Address, CHFA Loan Number, and the Settlement Date. Enter the monthly principal and interest payment amount and the first payment date, which should match the Note. Enter the name and address of the Participating Lender as the payment address, and enter a Participating Lender contact and telephone number. Enter the Borrowers' full names under the signature lines.