

## Colorado Housing and Finance Authority (CHFA)

### CHFA JumpStart2<sup>sm</sup> Tax Credit Mortgage Loan Instructions for Completion of Documents

The Worker, Homeownership and Business Assistance Act of 2009 extended the temporary tax credit to provide an incentive for First-Time Homebuyers to purchase a home or enter into a binding contract to purchase a home on or before April 30, 2010, and close by June 30, 2010. Borrowers may claim this tax credit by filing IRS Form 5405 with their Federal Income Tax Return.

**The Instructions below are provided to assist CHFA's Participating Lenders with completion of the CHFA JumpStart2 Second Mortgage Loan documents. Instructions in bold print indicate a field or fields to be completed by the Participating Lender.**

#### Application Documents

##### **CHFA Form 362A, 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 (i.e., through the estimated loan closing date). 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 loan is reserved. In Line 4, enter how many calendar days prior to settlement the interest rate would have to be reserved, if applicable.**

###### Summary of your loan

**Enter the initial loan amount (which cannot exceed the lesser of \$6,000.00 or 3.5 percent of the First Mortgage Loan). Enter the loan term in months, including the initial zero percent period. The initial interest rate is zero percent and the initial monthly principal and interest payment is \$0.00. In *Can your interest rate rise?*, Yes is checked, and the first interest rate change date is January 2011. For the Summary items, beginning with *Even if you make payments on time, can your loan balance rise?* through *Does your loan have a balloon payment?*, No is checked.**

Escrow account information

The initial monthly payment is \$0.00. 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 \$350.00. **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, our origination charge is \$350.00 for the CHFA Administration Fee. In Block 2, the first box is checked. The interest rate will be zero percent, which matches the rate on Line 3 of the Summary of your loan on page 1. Your Adjusted Origination Charges at Line A is \$350.00; **enter this 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 number of days and the estimated settlement date 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, 10 and 11, the amount is \$0.00.

Your Charges for All Other Settlement Services – **Enter the number from Blocks 4 and 7 at 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 and total estimated settlement charges, using the amounts from page 1.** The initial interest rate and initial monthly amount owed are \$0.00. 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.

**Initial Truth-in-Lending Disclosure**

Because of the complex Truth-in-Lending calculations for the JumpStart2 Second Mortgage Loan program, CHFA will issue the Initial Truth-in-Lending Disclosure within 24 hours after completion of a reservation in the CHFA JumpStart2 program. CHFA will fax the Disclosure to the Participating Lender, who is expected to timely deliver the document to the applicant.

**Closing Documents****CHFA Form 365, 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

The interest rate is zero percent through December 31, 2010. Thereafter, it is 8 percent.

Paragraph 3

The payment address is CHFA's main office address, 1981 Blake Street, Denver CO, 80202. **In paragraph 3(B), enter the amount of the monthly principal and interest payment at the 8 percent interest rate, amortized over 10 years.**

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 366, 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 362B, HUD-1A**

CHFA uses a HUD-1A for its subordinate-lien federally related mortgage loans, such as the JumpStart2 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, the property address is entered. The CHFA second mortgage loan number is entered in the Loan Number box. The Lender 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 JumpStart2 program requirements that should be **entered on the HUD -1A:**

801 – Our origination charge; CHFA Administrative Fee of \$350.00 (Ties to GFE #1)

**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)**

All other fields are \$0.00.

**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.**

**Page2:**

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

**Charges that cannot increase**

For Our Origination Charge and Your Adjusted Origination Charge are both \$350.00 and are entered in both the Good Faith Estimate column and the HUD-1A column.

**Charges that in total cannot increase more than 10 percent****Government 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 are \$0.00.

Loan terms

**Enter the loan amount. Enter the loan term in months, including the initial zero percent period.** The initial interest rate is zero percent and the initial monthly principal and interest payment is \$0.00. In *Can your interest rate rise?*, Yes is checked, to a maximum of 8 percent; first change on 01.01.2011; change again is N/A after N/A; every change date increase/decrease is N/A (no change after the first change); life of loan never lower than zero percent or higher than 8 percent. The terms beginning with *Even if you make payments on time, can your loan balance rise?* through *Does your loan have a balloon payment?* are all No. In the final item, *Total monthly amount owed including escrow account payments*, the second box is checked and \$0.00 is entered. One of the boxes with a blank field is checked followed by the words, *Collected with 1<sup>st</sup> 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 the HUD-1A forms.**

**Final Truth-in-Lending Disclosure**

**Request the Second Mortgage Loan Final Truth-in-Lending Disclosure Statement from CHFA no later than 48 hours before closing by emailing [CHFAJumpStart@chfainfo.com](mailto:CHFAJumpStart@chfainfo.com). In the request, provide a copy of the final Good Faith Estimate, the closing date, the final loan amount, and the name and fax number of the person who should receive the Disclosure. CHFA will fax the document to the Participating Lender, who is expected to deliver the document to the borrower(s) at closing.**