

chfa risk information score card



chfa form 740 instructions

your road home

Effective July 13, 2011



chfa risk information score card (chfa risc)

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introduction

CHFA reviewed its program eligibility requirements, including the minimum credit score. Although CHFA is maintaining the requirement for a minimum 580 credit score, additional program requirements have been added for applicants with credit scores from 580 through 619, for manually underwritten loans, and for applicants with credit scores from 620 through 659 that have debt-to-income (DTI) ratios in excess of 43 percent. In those instances, the Participating Lender must complete a CHFA Risk Information Score Card (CHFA RISC) for all loan programs, except Hardship Refinance. If the Total Applicant Score is less than zero, the applicant will not meet CHFA program requirements, and CHFA will not purchase the loan.

It is important to note that some loans may not be eligible for Purchase even if the AUS shows Approve/Eligible or the loan was approved through manual underwriting if an applicant cannot score enough points at this time to meet CHFA program requirements.

instructions

To determine if the applicant will meet CHFA program requirements, CHFA recommends that the loan officer complete the CHFA RISC at the time of loan application for all applicants when an applicant or co-applicant has a credit score from 580 through 619, for a loan that will require manual underwriting, or when the applicants have a credit score from 620 through 659 and a DTI exceeding 43 percent.

In any event, the loan officer must complete the CHFA RISC prior to making a CHFA loan Reservation. Loan officers should not make a Reservation if any applicant will not meet CHFA program requirements, i.e., an applicant with a Total Applicant Score of less than zero.

CHFA RISC is only to assess risk to determine if the applicant will meet CHFA program requirements. Nothing in this score card is intended to relieve the Participating Lender from its underwriting or other responsibilities or to override more stringent insurer/guarantor underwriting guidelines. CHFA will not purchase a loan unless it complies with the underwriting guidelines of the insurer or guarantor, FHA, VA, RD, or Fannie Mae, as applicable.

To use CHFA RISC, circle the appropriate Contributive Risk Factor for each Impact on Risk and place the applicable point value, either positive or negative, in the corresponding Points/Risk box on the far right side of the same row. Applicants must have a Total Applicant Score of zero or greater for the loan to be eligible for purchase by CHFA. Explanations or compensating factors will not override CHFA RISC factors.

Note: The Most Recent Employment History criterion has two separate lines: one for applicant and one for co-applicant, if applicable. This provides maximum benefit to applicants with strong employment histories. All other Impact on Risk factors are combined for all applicants, e.g., if one applicant had a bankruptcy within five years, all applicants receive the maximum negative points of minus two (-2) in the Points/Risk column.

Applicants who score less than zero and thereby do not meet CHFA requirements at this time, may be able to qualify later by addressing some or all of the issues identified on CHFA RISC, such as increasing their investment in the loan or utilizing budgeting and/or counseling to improve their readiness to purchase a home.

contributive risk factor scoring

1. Enter the date and all applicant names and credit scores at the top of form.
2. Circle the appropriate Contributive Risk Factor in each row and enter the applicable points in the Points/Risk column.
3. Add all of the points in the Points/Risk column, positive and negative, for each row and put the total in the bottom right hand box. If the applicant has a Total Applicant Score greater than or equal to zero, the applicant may **advance**. If the Total Applicant Score is less than zero, **stop**. The applicant does not meet CHFA's program requirements.
4. After your applicant is approved by your underwriting department, submit the CHFA RISC worksheet with appropriate backup, rental letters, gift letters, asset statements, etc., with your Compliance file to CHFA.

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a| most recent employment history – applicant

Circle the appropriate Risk Factor for applicant's employment history and put that point value, positive or negative, in the Points/Risk column. Please note that there are different point values for greater than or equal to five years with the same employer and greater than or equal to five years in the same line of work. If an applicant has more than one job and one job has a higher point value, put the highest point value in the Points/Risk column. Non-employment income, SSI, SSDI, pension, etc., counts as zero points no matter the length of time received. Your underwriting documents (written VOE or verbal VOE) must document the employment history as well as non-employment income.

b| most recent employment history – co-applicant, if applicable

Circle the appropriate Risk Factor for the co-applicant's employment history and put that point value, positive or negative, in the Points/Risk column. Please note there are different point values for greater than or equal to five years with the same employer and greater than or equal to five years in the same line of work. If a co-applicant has more than one job and one job has a higher point value, put the highest point value in the Points/Risk column. Non-employment income, SSI, SSDI, pension, etc., counts as zero points no matter the length of time received. Your underwriting documents (written VOE or verbal VOE) must document the employment history as well as non-employment income.

c| debt-to-income ratio (dti)

Circle the appropriate Risk Factor for the total DTI ratio on the loan and put that point value, positive or negative, in the Points/Risk column. Applicants with credit scores from 580 through 619 or manually underwritten loans cannot exceed 43 percent DTI. Applicants with credit scores from 620 through 659 and exceeding 43 percent must pass this CHFA RISC, but they may never exceed 50 percent DTI.

d| payment shock

Circle the appropriate Risk Factor for payment shock [$\text{future house payment} - \text{current rent payment} \div \text{current rent payment}$ (e.g., $\$1600$ [PITI] - $\$1200$ [current rent payment] = $\$400 \div \1200 [current rent payment] = 33 percent)] and put the point value, positive or negative, in the Points/Risk column. **Note:** To determine Payment Shock for a co-applicant who was paying rent separately, add the two rent payments together and calculate as shown above.

e| reserves

Circle the appropriate Risk Factor for reserves (balance in liquid asset accounts after payment of estimated closing costs and down payment) and put the point value, positive or negative, in the Points/Risk column. Use the insurer/guarantor's definition of liquid asset accounts when scoring this Risk Factor. Reserves may not be gifted. Two months of bank/financial statements are required to document the reserves balance.

f| mortgage/rental payment history

Circle the appropriate Risk Factor for mortgage and/or rental payment history and put the point value, positive or negative, in the Points/Risk column. Mortgage and/or rental payment histories/rating (VOM or VOR) for 24 months are required for all loans, in accordance with the insurer/guarantor guidelines, even if it is not required by the AUS findings. Use a VOR signed by the parents for an applicant living with parents. An applicant living rent free or paying non-verifiable funds will receive zero points. Note: Loans are not eligible for purchase even if AUS shows Approve/Eligible, if there are any late mortgage or rental payments within the most recent 12 months.

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g| collections, judgments, charge-offs, and tax liens

Circle the appropriate Risk Factor for collections, judgments, charge-offs, and tax liens and put the point value, positive or negative, in the Points/Risk column. Use the credit bureau date and the oldest action date, generally the open date, to determine the age of collections, judgments, and tax liens. On charge-offs, profit and losses, or accounts settled for less than the full amount, use the charge-off date and amount charged off to determine the age and amount of the item. A credit report update may be required to determine the date and amount of the charge-off. **Do not advance if the applicants have non-medical collections (unless they are less than \$100 in aggregate), judgments, charge-offs, or tax liens within the most recent 12 months. Do not advance if non-medical collections, judgments, charge-offs, or tax liens within 13-24 months exceed \$2,000 in aggregate.**

h| prior bankruptcy

Circle the appropriate Risk Factor for any prior bankruptcy and put the point value, positive or negative, in the Points/Risk column. The date used for determining the length of time since bankruptcy is the most recent discharge or dismissed date.

i| prior foreclosure, deed-in-lieu, preforeclosure/short sale

Circle the appropriate Risk Factor for any prior foreclosure, deed-in-lieu, or preforeclosure/short sale and put the point value, positive or negative, in the Points/Risk column. The date used for determining the length of time since foreclosure, deed-in-lieu, preforeclosure/short sale is the completion date for the action, shown on the credit report.

j| additional applicant down payment (can be gift funds)

Circle the appropriate Risk Factor for any additional applicant down payment into the transaction and put the point value, positive or negative, in the Points/Risk column. Down payment funds must be the applicant's own funds or gift funds. Funds from subordinate debt, even from approved down payment providers, cannot be used to receive additional RISC credit. Gift letters and/or asset statements must be provided to document additional applicant down payment. **Note: Additional applicant down payment does not include the applicant's minimum financial contribution of \$1,000 and must reduce the first mortgage base loan amount.**

CHFA Home Finance

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1	Date	
	Applicant	Applicant Credit Score
	Co-Applicant	Co-Applicant Credit Score
	Loan Officer	CHFA Loan Number

2	Impact On Risk and Contributive Risk Factor Score	Significantly Decreases Risk +2 points	Decreases Risk +1 point	Neutral Risk 0 points	Increases Risk -1 point	Significantly Increases Risk -2 points	Points/Risk
a	Most Recent Employment History Applicant ¹	≥ 5 years with same employer	≥ 5 years in same line of work	≥ 2 years in same line of work See instructions for other income.	< 2 years in same line of work	n/a	
b	Most Recent Employment History Co-Applicant	≥ 5 years with same employer	≥ 5 years in same line of work	≥ 2 years in same line of work	< 2 years in same line of work	n/a	
c	Debt-to-Income Ratio (DTI) stop Credit score 580-619 or manually underwritten loan exceeds 43% stop Credit score 620-659 DTI exceeds 50% or DTI exceeds 43% and can't pass CHFA RISC	n/a	≤ 32.99%	≥ 33% ≤ 43%	≥ 43.01% ≤ 45%	≥ 45.01% ≤ 50%	
d	Payment Shock	n/a	≤ 25%	n/a	≥ 25.01% ≤ 50%	≥ 50.01%	
e	Reserves - Borrower's own funds ²	≥ 3 mos. PITI	2 mos. PITI	1 mos. PITI	No Reserves	n/a	
f	Mortgage/Rental Payment History ³ stop Do not advance if any late payments within most recent 12 months	n/a	n/a	0 x 30 days late within 12 months	1 x 30 days late within 13-24 months	2 x 30 days late or 1 x 60 days late within 13-24 months	
g	Collections, Judgments, Charge-offs, and Tax Liens stop Do not advance if non-medical collections or judgments within most recent 12 months. ⁴ Applicants with amounts in excess of \$2,000 cannot advance. ⁵	n/a	No collections and/or judgments within past 24 months	Collections less than \$100 in aggregate within past 24 months	Medical-only collections within past 24 months	Non-medical collections and/or judgments within 13-24 months, not to exceed \$2,000.	
h	Prior Bankruptcy Filing	n/a	n/a	None	Any history of bankruptcy	Any bankruptcy within 5 years or repeat filer	
i	Prior Foreclosure, Deed-In-Lieu, Preforeclosure/Short Sale	n/a	n/a	None	Any history of foreclosure, deed-in-lieu, or preforeclosure/short sale	Foreclosure sale within 6 years; Deed-in-Lieu within 5 years; Preforeclosure/short sale within 3 years	
j	Additional Applicant Down Payment ⁶	\$3,000 or greater	Less than \$3,000 but more than \$1,500	n/a	n/a	n/a	
Total Applicant Score		Score ≥ 0: advance		Score < 0: stop		Total Points/Risk	

1 Recent college graduates with less than a 2-year job history in their field of study receive 0 points.
2 All Reserve funds must be applicant's own liquid assets.
3 Applicants with any late payments in the most recent 12 months cannot advance.

4 Collections totaling \$100 or less are exempt.
5 Original balances acquired within 13-24 months.
6 Does not include applicant's minimum financial contribution of \$1,000.



lender comments page

Please use this page to explain any scoring information that you think would be helpful to the CHFA Analyst reviewing your applicant's score card at the time of Compliance.

For example, if your applicant paid off all collections older than 24 months and the credit bureau has not been updated, you can note that you are attaching paid receipts or releases. Or, if one of the collections on the credit bureau has a wrong date or is a duplicate, you can note that and attach appropriate documentation separate from the original credit bureau. You could also use this lender comments page to explain what asset sources you are using for Reserves or Additional Applicant Down Payment.

Please feel free to make any comments that would help the CHFA Analyst understand your scoring decisions.

3	Impact On Risk and Contributive Risk Factor Score	Comments
a	Most Recent Employment History Applicant ¹	
b	Most Recent Employment History Co-Applicant	
c	Debt-to-Income Ratio (DTI) stop Credit score 580-619 or manually underwritten loan exceeds 43% stop Credit score 620-659 DTI exceeds 50% or DTI exceeds 43% and can't pass CHFA RISC	
d	Payment Shock	
e	Reserves - Borrower's own funds ²	
f	Mortgage/Rental Payment History ³ stop Do not advance if any late payments within most recent 12 months	
g	Collections, Judgments, Charge-offs, and Tax Liens stop Do not advance if non-medical collections or judgments within most recent 12 months. ⁴ Applicants with amounts in excess of \$2,000 cannot advance. ⁵	
h	Prior Bankruptcy Filing	
i	Prior Foreclosure, Deed-In-Lieu, Preforeclosure/Short Sale	
j	Additional Applicant Down Payment ⁶	
Total Applicant Score		

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