

# program directive



## chfa jumpstart2 tax credit program

effective December 1, 2009

### program description

The Worker, Homeownership and Business Assistance Act of 2009 (WHBAA) 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. This refundable tax credit [the lesser of ten percent (10%) of the purchase price of the Property or eight thousand dollars (\$8,000)] may be claimed by the Borrowers by filing an IRS Form 5405 with Borrower's Federal Income Tax Return.

CHFA JumpStart2 Tax Credit Program (CHFA JumpStart2) enables First Time Homebuyers to access the federal First-Time Homebuyer Tax Credit in advance of purchasing the Property by borrowing funds on a short term basis, in an amount the lesser of six thousand dollars (\$6,000) or three and one-half percent (3.5%) of the First Mortgage Loan amount. This Program is offered with the expectation that the CHFA JumpStart2 Second Mortgage Loan is repaid upon receipt of the tax credit. If Borrowers do not intend to repay the CHFA JumpStart2 Second Mortgage Loan with the tax credit, the Participating Lender should advise applicants to consider whether the CHFA HomeOpener<sup>sm</sup> Plus Program is a better alternative to access funds for down payment and/or closing costs.

CHFA JumpStart2 provides a market fixed rate First Mortgage Loan and a CHFA JumpStart2 Second Mortgage Loan with an initial zero percent (0%) Interest Rate and deferred payments until December 31, 2010. If the CHFA JumpStart2 Second Mortgage Loan is not paid in full by December 31, 2010, the Interest Rate increases to eight percent (8%) with a fully amortizing ten (10) year term. Interest will begin to accrue January 1, 2011, with a first payment due February 1, 2011.

Borrowers in this Program are expected, but not required, to pay off the Second Mortgage Loan upon receipt of the federal tax credit. The tax credit will most likely be greater than the CHFA Second Mortgage Loan, so Borrowers should still have money to meet other important needs.

For example, if the maximum \$8,000 tax credit is received, Borrowers should consider doing the following:

- Repay the CHFA JumpStart2 Second Mortgage Loan; and
- Save money for future emergencies; or
- Make home improvements; or
- Pay off or pay down existing debts; or
- Pay down the principal on the CHFA First Mortgage Loan; or
- Otherwise invest the money, etc.

To be eligible for the CHFA JumpStart2 Program, the Borrower is not permitted to have an ownership interest in other residential property at the time of closing. The home purchased must be the Borrower's Primary Residence. The Borrower must occupy the home within sixty (60) days of the Mortgage Loan closing.

This Program has Income and Purchase Price Limits shown within this directive. Mortgage Loans in this Program are not subject to the Recapture Tax Provision.



## chfa guidelines may differ from the federal first-time homebuyer tax credit

The federal First-Time Homebuyer Tax Credit Program defines a First-Time Homebuyer as one who has not had an ownership interest in a Main Home for the three (3) years prior to the Mortgage Loan closing. The IRS Form 5405 Instructions define "Main Home" as "Your main home is the one you live in most of the time. It can be a house, houseboat, mobile home, cooperative apartment, or condominium." **This definition is different than CHFA's definition of First Time Homebuyer for other programs.** Lenders are cautioned to advise applicants to consider the definition of Main Home for eligibility for the federal tax credit. To be eligible for the CHFA JumpStart2 Program, Borrowers must not have had an ownership interest in their Main Home for the three (3) years prior to the Mortgage Loan closing.

**The federal First-Time Homebuyer Tax Credit also has income limits and a means of calculating income that differ from CHFA. CHFA recommends that Borrowers consult a tax advisor on how to maximize the benefits of this unique opportunity.**

## first mortgage loan types and terms

The CHFA JumpStart2 First Mortgage Loan must have a thirty (30) year term, have a fixed Interest Rate, and be fully amortizing. Acceptable Mortgage Loan types are **FHA**-insured, **VA**-guaranteed, and **USDA/RD**-guaranteed. CHFA reserves the right to limit the number of Reservations received for each loan type. FHA 203(k) Acquisition/Rehabilitation loans are not eligible for the CHFA JumpStart2 Program.

The CHFA JumpStart2 First Mortgage Loan is assumable, subject to the Assumptor's eligibility as it relates to CHFA JumpStart2 Program Income Limits at the time of assumption, the Assumptor's First Time Homebuyer status, and CHFA approval.

Borrowers cannot be overcharged for third party items that have an actual amount, such as for the Tax Service Fee. CHFA requires the Participating Lender to refund any excess charges to the Borrowers. **CHFA does not permit the Borrowers to receive any cash back at closing.** Should the HUD-1 show any "cash to the Borrower" on line 303, these funds must be forwarded to CHFA in the Purchase package to be applied as a principal reduction on the CHFA JumpStart2 First Mortgage Loan.

## second mortgage loan types and terms

The CHFA JumpStart2 Second Mortgage Loan can only be made in conjunction with a CHFA JumpStart2 First Mortgage Loan, and is originated in CHFA's name by the Participating Lender. CHFA JumpStart2 Second Mortgage Loans are originated to the lesser of three and one-half percent (3.5%) of the First Mortgage Loan amount or six thousand dollars (\$6,000); however, the actual required amount is to be determined by the Participating Lender based on Borrower need after applying the Borrower's Minimum Financial Investment plus the Administrative Fee. CHFA does not permit Borrowers to receive any cash back at closing.

The initial Interest Rate is zero percent (0%) through December 31, 2010. If the CHFA JumpStart2 Second Mortgage Loan is not paid in full by December 31, 2010, the Interest Rate increases to eight percent (8%) with a fully amortizing ten (10) year term. Beginning January 1, 2011, interest will accrue on the CHFA Second Mortgage Loan until paid in full. Generally, repayment of principal and interest will begin February 1, 2011, in level monthly payments. Payments will continue monthly for one hundred twenty (120) months or until the loan is paid in full. The CHFA Second Mortgage Loan may be prepaid at any time without penalty.

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The CHFA JumpStart2 Second Mortgage Loan is due on the maturity date or sooner, upon the sale or the transfer of title of the Property, upon the refinance or payment in full of the CHFA JumpStart2 First Mortgage Loan, or if the property is no longer the Borrower's Primary Residence.

The CHFA JumpStart2 Second Mortgage Loan cannot be subordinated to any loan other than the CHFA JumpStart2 First Mortgage Loan. Additional liens may be subordinate to the CHFA JumpStart2 Second Mortgage Loan.

The CHFA JumpStart2 Second Mortgage Loan is **not** assumable.

The CHFA Second Mortgage Loan is to be applied to the up-front cash requirements of closing the First Mortgage Loan, which may include:

- Closing costs which cannot be financed into the First Mortgage Loan; and/or
- Initial escrows paid outside of closing to establish escrow accounts, such as for hazard insurance or real estate taxes; and/or
- All or a portion of the down payment requirement.

The CHFA Second Mortgage Loan may not be used to fund the Borrower's Minimum Financial Investment or any additional real estate agent fees.

**CHFA expects, but does not require, the First Time Homebuyer to use the federal tax credit to repay the Second Mortgage Loan before December 31, 2010.** Borrowers will be required to sign an Initial and Final Affidavit. The Initial Applicant Affidavit, CHFA Form 461, affirms that the Borrowers meets the income and purchase price limits and fully understands the terms of the CHFA JumpStart2 Second Mortgage Loan and its intended repayment. The original Initial Applicant Affidavit must be included with the Compliance Review Package. The original Final Applicant Affidavit, CHFA Form 462, which reaffirms the information contained in the Initial Applicant Affidavit, must be included in the Mortgage Loan Purchase file.

A Second Mortgage Loan payment cannot be combined with a First Mortgage Loan payment. If a Borrower chooses to make payment on a CHFA JumpStart2 Second Mortgage Loan prior to the due date, the Borrower must either send a separate payment with the applicable coupon to the remittance address on the coupon, or make payment in person at the Denver office: 1981 Blake Street, Denver, CO 80202, or at the Western Slope Office: 348 Main Street, Grand Junction, CO 81501.

If the Participating Lender is required to Repurchase the First Mortgage Loan, the Participating Lender will be required to Repurchase the CHFA JumpStart2 Second Mortgage Loan. If CHFA declines to Purchase the First Mortgage Loan, the CHFA JumpStart2 Second Mortgage Loan will be assigned to the Participating Lender and not Purchased by CHFA. Please refer to the Mortgage Purchase Agreement and Seller's Guide for complete Repurchase information.

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## chfa jumpstart2 second mortgage truth-in-lending disclosure statements

Due to the complex Truth-in-Lending (TIL) calculation of the CHFA JumpStart2 Second Mortgage Loan, CHFA will prepare the Initial and Final TIL Disclosure Statements.

Within seventy-two (72) hours of the Reservation being made, CHFA will fax the Initial TIL to the Participating Lender contact who made the Reservation. The Participating Lender must immediately provide the Initial CHFA JumpStart2 Second Mortgage Loan TIL to the applicant.

Participating Lenders should notify CHFA no less than forty-eight (48) hours before the Mortgage Loan Closing so that CHFA may prepare and fax the Final TIL before the Mortgage Loan Closing. Request a Final TIL by sending an email to CHFAJumpStart@chfainfo.com.

As always, the Participating Lender is still responsible for providing the Initial and Final First Mortgage Loan Truth-in-Lending Disclosure Statements.

## funds availability/interest rates

Funds will be available for Reservations on an ongoing basis. The First Mortgage Loan Interest Rate may change daily.

The current rate will be announced by 9:30am MST on the website at:  
[http://www.chfainfo.com/lender/Single\\_family\\_lending\\_partners\\_and\\_realtors/Todays\\_rates.icm](http://www.chfainfo.com/lender/Single_family_lending_partners_and_realtors/Todays_rates.icm)

Temporary Interest Rate buydowns of the First Mortgage Loan are permitted. However, the proceeds from the CHFA JumpStart2 Second Mortgage Loans **cannot** be used to fund the buydown. The buydown must meet all requirements of the First Mortgage Loan insurer or guarantor.

## recapture tax

CHFA JumpStart2 First and Second Mortgage Loans originated in this Program are not subject to the Recapture Tax Provision. However, the federal tax credit may need to be repaid to the U.S. Treasury if the Property ceases to be the Borrower's Main Home within thirty-six (36) months of closing. See IRS Form 5405 Instructions for additional information.

## reservation process

All CHFA JumpStart2 Mortgage Loans must close no later than June 30, 2010.

CHFA accepts Reservations through HomeConnection<sup>sm</sup>, CHFA's Internet Reservation network, located on CHFA's website at [www.chfainfo.com](http://www.chfainfo.com). HomeConnection Reservations may be made on Business Days from 9:30am to 10:00pm MST, with the exception of scheduled or unscheduled system maintenance.

Please see Chapter 4 of the Seller's Guide for Reservation details.

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## please note

The Reservation Confirmation Letter will show a “worst case scenario” Interest Rate for the CHFA JumpStart2 Second Mortgage Loan of eight percent (8%). If the Borrower repays the CHFA JumpStart2 Second Mortgage Loan before December 31, 2010, no interest is due. The eight percent (8%) Interest Rate only becomes applicable when the Mortgage Loan begins to amortize on January 1, 2011.

Also at Reservation, HomeConnection will automatically calculate three and one-half (3.5%) percent of the CHFA JumpStart2 First Mortgage Loan amount. At this time, HomeConnection is unable to limit the CHFA JumpStart2 Second Mortgage Loan amount to the lesser of three and one half (3.5%) percent or six thousand dollars (\$6,000).

Within seventy-two (72) hours of Reservation, CHFA staff will manually reduce the CHFA JumpStart2 Second Mortgage Loan amount accordingly if three and one-half percent (3.5%) of the first loan amount is greater than six thousand dollars (\$6,000), and issue a corrected Reservation Confirmation letter to the Participating Lender.

The actual required amount is to be determined by the Participating Lender based on Borrower need after the Borrower’s Minimum Financial Investment plus the Administrative Fee. CHFA does not permit Borrowers to receive any cash back at closing.

## reservation period

All Reservations will be issued for a sixty (60) day delivery period.

Participating Lenders may view the Reservation Expiration date for any Mortgage Loan within HomeConnection.

The Reservation Period includes timelines for both delivery and funding of the Mortgage Loan, and may be extended by CHFA as described in Section 405 of the Seller’s Guide. At no point may the overall Reservation Period exceed one hundred (100) days, including extensions.

The Mortgage Loan must be delivered within the Delivery Period, and must be approved for Purchase within the Reservation period. This means Participating Lenders who reserve Mortgage Loan Funds must close the loan, deliver the file to CHFA for Purchase, and have it reviewed and approved for Purchase prior to Reservation Expiration. Participating Lenders are cautioned that all loans must close by June 30, 2010.

## minimum financial investment and chfa administrative fee

CHFA requires Borrowers to make a Minimum Financial Investment of one thousand dollars (\$1,000) towards the purchase of the Property.

CHFA does not require the Minimum Financial Investment to be from the Borrower’s own funds; it may come from a gift, subject to the requirements of the Mortgage Loan insurer or guarantor. The Minimum Financial Investment **cannot** come from the proceeds of **any** second mortgage loan. The following items, paid by the Borrower outside of closing (POC), may be counted toward the Minimum Financial Investment:

- Earnest money deposit; and/or
- Application, appraisal, or credit report fee paid to the Participating Lender; and/or
- Home inspection fee; and/or

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- Hazard insurance premium paid outside of closing; and/or
- **For HUD homes only**, the closing agent’s closing fee.

A real estate agent fee, if any, paid by the Borrower **cannot** be counted toward the Minimum Financial Investment.

The CHFA JumpStart2 Program requires the Borrower to pay a partially refundable CHFA Administrative Fee of \$350. If the CHFA Second Mortgage Loan is paid off before December 31, 2010, CHFA will refund \$250 of the CHFA Administrative Fee in the form of a credit at payoff. The CHFA Administrative Fee must be paid by the Borrower and is in addition to the Minimum Financial Investment. The Administrative Fee can not be paid by the Seller.

CHFA will deduct the Administrative Fee from the Mortgage Loan Purchase. Participating Lenders are advised to collect this fee from the Borrower at the Mortgage Loan closing and reflect as such on the HUD-1 Settlement Statement.

## income and purchase price limits

Please note that the federal First-Time Homebuyer Tax Credit Program has income limits that differ from CHFA. Participating Lenders are cautioned to adhere to the stricter of the requirements.

CHFA requires that the Gross Annual Household Income from all occupants of the property eighteen (18) years of age or older may not exceed:

CHFA JumpStart2 Tax Credit Program income & purchase price limits*				
county name	purchase price limits new & existing	household income limits		
		1 person	2 persons	3+ persons
Boulder	\$324,300	\$71,200	\$89,100	\$102,400
Denver Metro**	\$324,300	\$60,800	\$76,000	\$87,400
Eagle	\$324,300	\$69,200	\$86,600	\$99,500
Garfield	\$324,300	\$57,100	\$71,400	\$82,100
Gunnison, Hinsdale, La Plata, Lake, Mesa, Ouray, San Juan, Weld	\$324,300	\$56,800	\$71,000	\$81,600
Pitkin	\$324,300	\$76,300	\$95,400	\$109,700
Routt	\$324,300	\$64,400	\$80,600	\$92,600
San Miguel	\$324,300	\$61,400	\$76,800	\$88,300
Summit	\$324,300	\$68,000	\$85,100	\$97,800
all other areas of the state	\$236,800	\$56,800	\$71,000	\$81,600

\*Also available on [www.chfainfo.com](http://www.chfainfo.com)

\*\*Denver Metro includes: Adams, Arapahoe, Broomfield, Clear Creek, Denver, Douglas, Elbert, Gilpin, Jefferson, & Park Counties.

## homebuyer education

CHFA requires all Borrowers and Co-Borrowers to individually complete a Homebuyer Education course, either online from the CHFA website at [www.chfainfo.com](http://www.chfainfo.com) or classroom-based from a CHFA-approved provider, prior to the Closing Date.

The CHFA Money Management Course does not meet the Homebuyer Education requirement for First Time Homebuyers.

CHFA additionally requires each Borrower in the CHFA JumpStart2 Program to take a brief online course, intended to ensure they are applying for the correct CHFA Second Mortgage Loan Program. The Borrowers will receive an email evidencing completion of the CHFA JumpStart2 Program online course. This email, CHFA Form 912, must be printed and signed by the Borrowers, and included in the Compliance Review File.

Reasonable accommodations are available at all CHFA-approved Homebuyer Education providers. However, specialized homeownership counseling for persons with disabilities is available through Colorado Housing Assistance Corporation (CHAC) at 303.572.9445.

Homebuyer Education certificates are valid for nine (9) months. Borrowers must execute a purchase contract prior to expiration of the Homebuyer Education certificate or retake the Homebuyer Education course. Please refer to the Seller's Guide for more information regarding the Homebuyer Education certificate.

A current schedule of CHFA-approved providers and classroom dates is available on the CHFA website at [www.chfainfo.com](http://www.chfainfo.com) or by calling 303.297.7376 or 1.888.320.3688. There are no exceptions to this requirement.

## fees and premiums

### Servicing Release Premium

A Servicing Release Premium will be paid to the Participating Lender on all First Mortgage Loans. The premium is calculated based on the UPB on the Purchase Advice. The Servicing Release Premium is calculated at one percent (1%).

### Second Mortgage Loan Premium

A Second Mortgage Loan Premium will be paid to the Participating Lender at the time of Purchase for all CHFA Second Mortgage Loans that are closed in the name of CHFA. The Second Mortgage Loan Premium is one hundred fifty dollars (\$150).

### Non-Metro Premium

The Participating Lender will be paid a premium for Mortgage Loans in Non-Metro Areas. The premium is calculated based on the Original Principal Balance (OPB) of the First Mortgage Loan amount. The Non-Metro Premium is calculated at one-half percent (0.50%).

### Real Estate Tax Service Fee

CHFA has a contract with First American Real Estate Tax Service to monitor taxes for each Mortgage Loan. A fee for this service will be deducted from the funds paid to the Participating Lender at the time of Purchase for each Mortgage Loan. The Tax Service Fee is seventy-two dollars (\$72) for a thirty (30) year mortgage.

### 30-Day Extension Fee

A fee charged by CHFA to the participating lender when the delivery period is extended 30 days. The 30-day extension fee will equal one half of one percent (0.50%) OPB.

### Suspension Penalty

A fee charged by CHFA to the Participating Lender when a Mortgage Loan is suspended for Purchase due to missing, incorrect, or incomplete information and is not corrected within 10 days of date of suspension. The Suspension Penalty will equal one quarter of one percent (0.25%) OPB.

### Loan Delivery Penalty

A fee charged by CHFA to the Participating Lender when a Mortgage Loan is not delivered within the initial Delivery Period. The Loan Delivery Extension Penalty will equal one quarter of one percent (0.25%) OPB.

### Funding Extension Penalty

A fee charged by CHFA to the Participating Lender when a Mortgage Loan is not approved for Purchase within the Funding Review Period. The Funding Extension Penalty will equal one quarter of one percent (0.25%) of the OPB. The Funding Extension Penalty may be applied up to two (2) times.

### Late Document Fee

A fee charged by CHFA to the Participating Lender when a Mortgage Loan has outstanding Post Closing Documents more than 120 days after purchase. The Late Document Fee is a one-time fee of \$150.

### Rate Adjustment Fee

A Rate Adjustment Fee will be applied when the Mortgage Loan is closed at the wrong Interest Rate, where the Note Interest Rate is lower than the Reserved Interest Rate. The Rate Adjustment Fee will equal the cost to buydown the Reserved Interest Rate to the Note Interest Rate over the term of the Mortgage Loan.

### CHFA Administrative Fee

A partially refundable fee paid by the Borrower; the CHFA Administrative Fee is three hundred and fifty dollars (\$350). This fee should be paid to the Participating Lender at the Mortgage Loan Closing. CHFA will deduct the CHFA Administrative Fee from the Purchase Advice. The Borrower will be refunded \$250 of the CHFA Administrative Fee if the CHFA JumpStart2 Second Mortgage Loan is paid in full before December 31, 2010.

### Delayed Delivery Penalty

A fee charged by CHFA to the Participating Lender when a Mortgage Loan is not delivered to CHFA within ten (10) days of the Closing Date. The Delayed Delivery Fee will equal one quarter of one percent (0.25%) of the original principal balance (OPB).

## final program purchase date

To coincide with the federal First-Time Homebuyer Tax Credit Program final loan closing date, CHFA will not Purchase any CHFA JumpStart2 Program loans that close after June 30, 2010. Participating Lenders will be expected to monitor their loan pipeline to ensure all loans are closed before the Program expiration date and Purchased within the standard Mortgage Loan delivery and Purchase deadlines as explained in the Seller's Guide. Mortgage Loans that do not meet the CHFA JumpStart2 Program expiration date may not be transferred to other CHFA Programs.

## general program information

See the Seller's Guide for detailed information on the following subjects:

Reservations

Condominium Restrictions

Flood Determination

Real Estate Tax Service Fee

Purchase Advice

Program procedures are found in the Seller's Guide. You will find and may download the Guide and current forms by accessing the CHFA website at [www.chfainfo.com](http://www.chfainfo.com).

### chfa home finance contact list

The Home Finance Division is open Business Days from 8:00am through 5:00pm.  
 Please contact us with questions about any CHFA Program.

Karen Harkin <i>Director</i>	303.297.7327	kharkin@chfainfo.com
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Post Closing Team

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