

# program directive



## CHFA HomeStretch<sup>sm</sup>

for acquisition and refinance

effective April 14, 2008

### program description

The CHFA HomeStretch Program offers a conventional Mortgage Loan with a forty (40) year fixed rate term for **either** the acquisition of a home **or** the rate and term refinance of an existing first mortgage [and any subordinate lien with twelve (12) months seasoning]. Conventional insured Mortgage Loans will be insured with up-front lender paid mortgage insurance (LPMI) provided by Genworth Mortgage Insurance (Genworth).

This Program offers two Interest Rate options:

- 1) A forty (40) year First Mortgage Loan without down payment and/or closing cost assistance; or
- 2) A forty (40) year First Mortgage with a deferred CHFA Second Mortgage Loan [of up to three percent (3%) of the First Mortgage Principal Balance] at a zero percent (0%) Interest Rate, to assist with down payment and/or closing costs.

This Program is not restricted to First Time Homebuyers. It does not have Purchase Price Limits; however, it must comply with Fannie Mae or Freddie Mac's current maximum conforming loan limits. Income Limits are found in the Income Limits section in this Program Directive and are available on the website at [www.chfainfo.com](http://www.chfainfo.com).

Mortgage Loans in the CHFA HomeStretch Program must be underwritten to either Fannie Mae's 40-year MyCommunityMortgage 97% or Freddie Mac's 40-year Home Possible 97% requirements in addition to CHFA requirements. Other loan types are not allowed. In some instances, CHFA's requirements are different than Fannie Mae's or Freddie Mac's. **In such cases, the stricter of the guidelines of CHFA or the Private Mortgage Insurance company shall prevail.**

- CHFA requires all Mortgage Loans to be credit underwritten prior to CHFA's Compliance Review. Participating Lenders should be aware that refinances underwritten by DU or LP may receive a finding of Expanded Approval or A-Minus, rendering the loans ineligible for CHFA financing. CHFA recommends



*financing the places  
where people live and work*

refinances to be manually underwritten to avoid this problem. CHFA will decline any Mortgage Loan with AUS findings of Expanded Approval or A-Minus.

- CHFA will allow junior liens on a case-by-case basis, subject to insurability, and only if the subordinate lien is from a CHFA-approved nonprofit agency or housing authority, or is deferred or forgivable.
- CHFA requires a five hundred dollar (\$500) Minimum Financial Investment. See the *Minimum Financial Investment* section of this Program Directive.
- A CHFA-approved Homebuyer Education/Financial Management class is required. See the *Homebuyer Education* section of this Program Directive.
- No cash back to the Borrower, except as allowed for excess earnest money per the Seller's Guide for acquisition Mortgage Loans.
- Acquisition loans, rate-and-term refinances of first mortgages, and subordinate liens with twelve (12) months seasoning are allowed; any Home Equity Line of Credit (HELOC) must be dormant for twelve (12) months.
- Mortgage insurance may not be financed or paid by the seller; only single premium LPMI through Genworth is acceptable.
- This Program requires a minimum 620 FICO score or equivalent nontraditional credit for all Mortgage Loans. CHFA recommends the use of a third party credit reporting agency for developing a nontraditional credit history.
- This Program requires a single qualifying ratio of forty-three percent (43%) for all loans underwritten manually.
- Temporary Interest Rate buydowns are not permitted in this Program.

The Property must be the Borrower's Primary Residence, to be occupied within sixty (60) days of the Mortgage Loan closing. Manufactured Housing must be on a permanent foundation for which title has been purged. The Borrower is not permitted to have an ownership interest in other residential property at the time of closing. Mortgage Loans originated in this Program are not subject to the Recapture Tax Provision and do not have a prepayment penalty.

Please consult the CHFA website at [www.chfainfo.com](http://www.chfainfo.com) for current information regarding Interest Rates, Income Limits, CHFA Compliance Review anticipated turnaround time, CHFA forms, and the *Seller's Guide*.

**See the *Seller's Guide* for details on the following:**

CHFA Second Mortgage Loan Terms  
Reservation Period  
Reservation Process

Condominium Restrictions  
Flood Determination  
Real Estate Tax Service Fee  
Allowable Lender Fees  
Premiums Paid to Lenders

### program features

- Borrower may set up an optional budget drafting payment plan with CHFA after Purchase in which one half (1/2) of the total mortgage payment is electronically withdrawn from the Borrower's checking or savings account every other week. This significantly reduces the total interest paid by the Borrower over the life of the loan and if set up early, decreases the effective term of the Mortgage Loan from forty (40) years to approximately thirty (30) years. The life of loan cost to the Borrower for the budget drafting payment option is one hundred fifty dollars (\$150).
- Involuntary unemployment insurance is provided to help Borrowers make their Mortgage Loan payment [up to one thousand five hundred dollars (\$1,500) per month] for up to six (6) months during the first three (3) years of the Mortgage Loan. Consult Genworth for details. Note: This feature is not available with Conventional Uninsured loans since there will be no LPMI.
- Single premium up-front lender paid mortgage insurance (LPMI) is provided at a prenegotiated lower cost to CHFA. Please see the *Private Mortgage Insurance* section of this Program Directive.
- For refinance only: the following items may be included in the new Mortgage Loan amount (if there is sufficient equity):
  - ◆ unpaid principal balance of existing first mortgage;
  - ◆ closing costs for the new loan;
  - ◆ prepaids for the new loan;
  - ◆ the amount required to satisfy any subordinate mortgage liens or dormant HELOC with twelve months seasoning;
  - ◆ prepayment penalty for the existing loan(s).

### first mortgage loan types and terms

The Mortgage Loan must have a forty (40) year term, a fixed Interest Rate, and be fully amortizing.

The only acceptable Mortgage Loan types are Conventional Insured loans with a loan-to-value ratio in

excess of eighty percent (80%) and Conventional Uninsured loans with a loan-to-value ratio of eighty percent (80%) or less. The First Mortgage Loan must meet all Fannie Mae 40-year MyCommunityMortgage 97% or Freddie Mac 40-year Home Possible 97% underwriting requirements and must otherwise comply with all *Seller's Guide* requirements. In some instances, CHFA's requirements are different than Fannie Mae's or Freddie Mac's. In such cases, the stricter of the guidelines of CHFA or the Private Mortgage Insurance company shall prevail.

Please verify the maximum loan-to-value (LTV) ratio and combined loan-to-value (CLTV) ratios according to the property type and other insurability restrictions.

The First Mortgage Loan is assumable, subject to the Assumptor's eligibility as it relates to CHFA HomeStretch Program Income Limits at the time of assumption, owner occupancy requirements, credit qualification, and prior written CHFA approval. The Assumptor is subject to credit underwriting and approval.

### interest rates

Interest Rates are subject to change and are posted on the website at [www.chfainfo.com](http://www.chfainfo.com).

Temporary Interest Rate buydowns are not permitted in the CHFA HomeStretch Program.

### private mortgage insurance information

Mortgage Loans in the CHFA HomeStretch Program must be underwritten to meet Fannie Mae's 40-year MyCommunity Mortgage 97% or Freddie Mac 40-year Home Possible 97% requirements.

For Mortgage Loans with an LTV ratio greater than eighty percent (80%), a Participating Lender must obtain single-premium lender paid mortgage insurance (LPMI) through Genworth and pay for it at closing. The premium will be reimbursed by CHFA to the Participating Lender at time of Purchase. Sellers may not pay the mortgage insurance.

Participating Lenders will be required to provide to the Applicant a Lender Paid Mortgage Insurance (LPMI) Disclosure no later than the date the loan commitment is made. A signed and dated LPMI Disclosure must be included in the Compliance Review package.

CHFA will only reimburse the LPMI to the lender at the pre-negotiated premium and coverage levels as listed in this directive.

The required coverage and premium amounts are:

- 95.01 – 97.00% LTV: 20.00% coverage, 1.61% premium
- 90.01 – 95.00% LTV: 18.00% coverage, 1.43% premium
- 85.01 – 90.00% LTV: 16.00% coverage, 1.24% premium
- ≤ 85.00% LTV: 12.00% coverage, 0.95% premium

It is critical for Participating Lenders to utilize the following identifier when ordering mortgage insurance or submitting loans for underwriting to ensure that the appropriate pricing is applied to the mortgage insurance.

**Genworth Mortgage Insurance:** Participating Lenders should identify CHFA loan files by checking the box labeled “Is this an HFA loan?”

## underwriting

Mortgage Loans in this Program must meet Fannie Mae’s 40-year MyCommunity Mortgage 97% or Freddie Mac 40-year Home Possible 97% requirements, the requirements described in this Program Directive, the applicable Program documents, and must otherwise comply with all *Seller’s Guide* requirements. In some instances, CHFA’s requirements are different than Fannie Mae’s or Freddie Mac’s. In such cases, the stricter of the guidelines of CHFA or the Private Mortgage Insurance company shall prevail.

First Mortgage Loans for the CHFA HomeStretch Program are subject to the Representations and Warranties and Repurchase obligations described in the Mortgage Purchase Agreement. By offering a HomeStretch Loan to CHFA for Purchase, the Participating Lender will be deemed to have agreed to this condition as well as any other conditions or obligations set forth in this Program Directive, the Mortgage Purchase Agreement, and the *Seller’s Guide*.

**The mortgage insurance company will be performing credit underwriting to issue primary mortgage insurance only.** This service is free to the Participating Lender, Borrower, and CHFA. This does not provide any recourse to the Participating Lender in the event of a required Repurchase by CHFA for reasons related to credit underwriting of the Borrower or Property. Should the Participating Lender desire recourse, the Participating Lender must contact the mortgage insurance company representative to make separate arrangements for contract underwriting if not already in place, for which a nominal fee may be charged to the Participating Lender.

Acquisition Mortgage Loans should be submitted to DU or LP. Acceptable findings are DU Approve/Eligible or Refer/Eligible supported by a manual underwrite and LP Approve/Accept. For Manufactured Housing only, CHFA will accept DU Approve/Ineligible findings. There is a minimum FICO score of 620 (or equivalent nontraditional credit) and a single qualifying ratio of forty-three percent (43%) for a manual underwrite. **CHFA will not accept DU Expanded Approval or LP A-Minus on any Mortgage Loan.**

**Refinance Mortgage Loans** To ensure Borrower eligibility for this Program, CHFA recommends that refinance Mortgage Loans be manually underwritten. **CHFA will decline any Mortgage Loan with findings of DU Expanded Approval or LP A-Minus.** Participating Lenders may internally manually credit underwrite the loan and sign the 1008, or they may submit a full credit underwriting package to the MI company using the MI company's required documents and applicable stacking order. There is a minimum FICO score of 620 (or equivalent nontraditional credit) and a single qualifying ratio of forty-three percent (43%) for a manual underwrite.

Please refer to the MI company's website for required documents, stacking orders, and delivery methods.

Refinance loans which require manual underwriting for mortgage insurance should be sent to:

Genworth Mortgage Insurance  
Central Imaging  
6601 Six Forks Road  
Raleigh, NC 27615

### income limits

The Gross Annual Household Income from all occupants of the Property eighteen (18) years of age or older may not exceed:

CHFA HomeStretch income limits*			
county name	1 person	2 persons	3+ persons
Boulder	\$85,000	\$97,700	\$110,500
Denver Metro (Adams, Arapahoe, Broomfield, Clear Creek, Denver, Douglas, Elbert, Gilpin, Jefferson, Park)	\$71,800	\$82,500	\$93,300
Eagle	\$83,800	\$96,300	\$108,900
Larimer	\$75,000	\$86,200	\$97,500
Pitkin	\$91,800	\$105,500	\$119,300
Routt	\$75,700	\$87,000	\$98,400
San Miguel	\$74,000	\$85,100	\$96,200
Summit	\$81,300	\$93,400	\$105,600
all other areas of the State	\$67,900	\$78,000	\$88,200

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

There are no Purchase Price or home value limits for this Program.

### homebuyer education

#### Acquisition

CHFA requires all Borrowers who are First Time Homebuyers to complete a Homebuyer Education course, either online from the CHFA website ([www.chfainfo.com](http://www.chfainfo.com)) or classroom-based as provided by a CHFA-approved provider, prior to the Closing Date. Because CHFA has negotiated a lower rate for the mortgage insurance premium for this Program, there is no additional reduction to the mortgage insurance premium for completing a classroom-based course.

A First Time Homebuyer is defined by CHFA as one who has not had a present ownership interest in a Principal Residence for the three (3) year period ending on the Mortgage Loan closing date.

Homebuyer Education Certificates are valid for nine (9) months, whether the course is completed online or in a classroom. Upon completion of the online Homebuyer Education course, a Homebuyer Education Certificate will be emailed and available online. Borrowers must execute a purchase contract within the

nine (9) month period prior to expiration of the Homebuyer Education Certificate or retake the Homebuyer Education course.

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 888.320.3688. There are no exceptions to this requirement.

### **Refinance**

Borrowers who are using the refinance option of the CHFA HomeStretch Program must complete CHFA's HomeStretch Money Management course, an online financial management class found on our website at [www.chfainfo.com](http://www.chfainfo.com). Each borrower must complete the course separately.

Financial management certificates, which are emailed and available online upon completion of the course, are valid for nine (9) months. Refinance Mortgage Loans must be Reserved within the nine (9) month period prior to the expiration of the Money Management certificate or the Borrowers must retake the CHFA Money Management course. Borrowers who are unable to complete CHFA's Money Management course may take the classroom-based Homebuyer Education course described above. There are no exceptions to this requirement.

### **minimum financial investment**

All Borrowers are required to contribute a Minimum Financial Investment of five hundred dollars (\$500) into the transaction. For Borrowers using CHFA HomeStretch to refinance existing mortgage(s), the Minimum Financial Investment can be in the form of the Borrower's equity in the Property. See the *Seller's Guide* for more information about CHFA's Minimum Financial Investment requirement.

### **other exclusions**

- 1) Borrowers may not receive cash back at closing, with the exception of the allowable earnest money refund for acquisition loans (see the *Seller's Guide*).
- 2) The CHFA HomeStretch Program does not allow the use of Cosigners.
- 3) DO (Desktop Originator) is not acceptable.

### program partners contact list

#### Genworth

Website	www.gemortgageinsurance.com	
Roger Linn	303.618.9613	roger.linn@genworth.com
Erika Stinson	800.943.3696	erika.stinson@genworth.com

#### Fannie Mae

Website	www.efanniemae.com
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#### Freddie Mac

Website	www.freddiemac.com
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### 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 Director	303.297.7327	kharkin@chfainfo.com
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Desiree Miniel Post Closing Analyst	303.297.7413	dminiel@chfainfo.com
Judith Moore Post Closing Analyst	303.297.7390	jmoore@chfainfo.com

### CHFA phone listings

Home Finance:	1.888.320.3688 or 303.297.7376
Home Finance fax number:	303.297.0947
General CHFA:	303.297.2432 or 1.800.877.2432
TDD:	303.297.7305 or 1.800.659.2656
Relay Colorado: (for the speech or hearing impaired)	1.800.659.3656

We are also on the web at [www.chfainfo.com](http://www.chfainfo.com).

The Colorado Housing and Finance Authority does not discriminate on the basis of disability in admission or access to the operation of its programs, services, activities or its own employment practices. Requests for reasonable accommodation, the provision of auxiliary aids or any complaints alleging violation of this nondiscrimination policy should be directed to Pamela McClune, Nondiscrimination Coordinator, CHFA, 1981 Blake Street, Denver, CO 80202-1272; 303.297.7366 (TDD 303.297.7305); available weekdays 8:00am to 5:00pm.