

# program compliance and purchase requirements for chfa firststep<sup>sm</sup> programs

colorado housing and finance authority



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# **underwriting and general loan program information**

# chfa firststep<sup>sm</sup>

## CHFA FirstStep<sup>sm</sup>/FirstStep Plus<sup>sm</sup>

- FHA only (no 203(k))
    - Escrow repairs are acceptable – follow FHA guidelines
  - Minimum credit score 620 for borrowers with credit
    - Alternative credit acceptable – follow FHA guidelines
  - Income **and** purchase price limits will apply
  - May use DU or LPA AUS Total Scorecard findings
  - Manual underwrites acceptable per FHA guidelines
  - Manufactured housing – single, double wide, or larger acceptable to FHA guidelines
  - No buydowns
- 
- CHFA DPA
    - CHFA Second Mortgage Loan available
    - CHFA Grant cannot be utilized
  - Borrower minimum investment of \$1,000
  - Gift funds acceptable as permitted by FHA
  - Must be a first-time homebuyer or qualified veteran
    - Never owned or not owned in the most recent three (3) years
    - Exception: may be repeat homebuyer if purchasing in a targeted area
  - Borrower(s) may not have any ownership in residential property
    - Some exceptions may apply
- 
- Homebuyer education required
  - Affidavits are required
  - MCC programs cannot be utilized
  - Recapture Tax provision
  - **Program requires review and approval by CHFA prior to closing; non-bolded loan number in HomeConnection**
    - **If loan is not approved by CHFA prior to closing, CHFA may not purchase the loan**

# chfa general guidelines

- FirstStep loans must meet FHA and CHFA guidelines
- Only borrower(s) may take title to the property
  - No one else may be included on the purchase documents/in title to property
- No cosigners or non-occupying co-borrowers or non-purchasing spouses
- Must meet appropriate CHFA Income Limits listed on the CHFA website
- Non-Traditional Credit is acceptable - follow guidelines (FHA, VA, USDA-RD)
- 30 year fixed rate mortgages only
- Owner occupied primary residence only
  - Borrowers must be living in the property as their primary residence within 60 days of closing
- Debt to Income requirements
  - 50.00% DTI max for borrowers with a mid FICO of 620 to 659
  - 55.00% DTI max for borrowers with a mid FICO of 660 or above
- Loan may not exceed the lower of CHFA's DTI limit; the DTI limit permitted by FHA, USDA-RD, VA; or the DTI limit determined by the Automated Underwriting System (AUS) findings, as applicable

# chfa general guidelines

- Optional Down Payment Assistance available
  - FirstStep Plus
    - Plus = Down Payment Assistance
- Cash Back – follow FHA, guidelines
  - Borrowers cannot receive any CHFA down payment assistance as cash back
- Borrower **minimum** contribution \$1,000, which may include:
  - Gift funds (follow agency guidelines);
  - Earnest money deposit;
  - Application, appraisal, or credit report fee paid to the Participating Lender;
  - Home inspection fee, including fees paid for additional inspection services, such as sewer scopes, structural engineers report, etc.;
  - Hazard insurance premium paid outside of closing;
  - Any Homebuyer Education Fee, if applicable
  - HOA Fees paid out of pocket by borrower

# homebuyer education

- Required for **ALL** CHFA programs
- All Borrowers must take Homebuyer Education prior to the loan closing
- Classes from CHFA approved provider list on CHFA website
  - In person Classes
    - No cost to attendees
  - Online Class
    - must be taken through CHFA approved provider; not directly from eHome America
      - eHome America - Fee - \$75 each borrower
      - Framework certificates are not acceptable
    - Required one-on-one counseling session via phone by agency staff after completing online course
      - Follow information on providers site for scheduling counseling session
- Certificates expire twelve (12) months after date of class
- Borrower must be under contract prior to expiration of certificate

# common underwriting issues

- Underwriting transmittal missing information/not complete
  - FHA Loan Underwriting Transmittal (92900LT/LUTS)
  - Ratios, total monthly payment, loan amount, purchase price, appraised value, mortgage insurance payment, etc must match AUS findings
  - CHFA DPA information missing/incorrect
    - DPA based on total loan amount, whole dollar amount (rounded down)
  - Manually underwritten loans, transmittal **must** be signed
  - Risk assessment sections must be completed
    - LUTS must have the CHUMS number for the appraisal reviewer listed
- Omitting debt on the AUS findings
  - Notate reason on underwriting transmittal or provide a written and signed certification as to why the debt is being omitted
- A borrower may only have **one** active CHFA loan at a time
  - Any previous loans must be paid in full otherwise CHFA will not purchase the new loan



# gross annual income calculation for firststep<sup>sm</sup> loans

- Income limits based on number of occupants, county purchasing in and targeted or non-targeted area
- Occupant = any person living in the household 50% or more of the time
- CHFA Gross Annual Income Calculation – Income for each applicant, spouse or civil union partner of each applicant and any other household member who is expected to be secondarily liable (living in property assisting with mortgage payments) on the Mortgage Loan is included even if not used to qualify borrower (i.e. child support, alimony, over-time, etc.)

# gross annual income calculation for firststep loans - continued

- All income documentation for each applicant, spouse or civil union partner of each applicant and any other household member who is expected to be secondarily liable on the Mortgage Loan
  - Anyone with differing last names on Tax Returns, letter of explanation and Child Support docs if applicable
  - Profit and Loss Statement signed and dated for all self-employed individuals
- Review Chapter 6 of the CHFA Seller's Guide for information on income calculations

# fha requirements for chfa second mortgage

- FHA Loan Underwriting Transmittal (LUTS) – CHFA Second Mortgage must show as secondary financing and marked as Government. Also include the EIN number for CHFA – **84-0676451**

**Secondary Financing**  
Source/EIN **84-0676451**  
 Gov't     NP     Family  
 Other \_\_\_\_\_  
**Amount of Secondary Financing**  
\$ **10,408.00**  
**Gifts** Seller Funded DAP     Y/N

1.) Source/EIN  
 Gov't     NP     Family  
 Other \_\_\_\_\_  
Amount of Gift \$ \_\_\_\_\_

2.) Source/EIN  
 Gov't     NP     Family  
 Other \_\_\_\_\_  
Amount of Gift \$ \_\_\_\_\_

# recapture tax

- FirstStep borrowers may be subject to Recapture Tax
- Factors that determine potential of Recapture Tax
  - Property is sold within the first 9 years; **and**
  - Household income exceeds the maximum income limits (CHFA Form 407 page 4); **and**
  - Borrower has a gain on the sale of the property
    - Must trigger **all** three factors for potential of recapture tax
- Recapture Tax disclosure given to borrowers at closing
  - CHFA Form 407, Notice of Recapture Tax
  - Form only available in HomeConnection once loan is approved by CHFA
- CHFA may reimburse any Recapture Tax paid by borrowers
  - Borrower(s) submits CHFA Form 950 and required documents after recapture tax is paid

# program compliance documentation requirements

- Follow the list of conditions/documents in the document delivery system or utilize the document checklist for the respective program
  - CHFA Form 750, Compliance Submission Review Checklist
    - ***Do not include checklist in file submission***
  - CHFA Form 401, Initial Applicant Affidavit – must be complete
  - CHFA Form 719, Veteran Waiver Affidavit
    - Only required if borrower is a non-first time homebuyer who is an eligible veteran
    - Include copy of DD214 with this form

# chfa form 401, initial applicant affidavit

CHFA Form 401  
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Colorado Housing and Finance Authority  
www.chfainfo.com

## Initial Applicant Affidavit

[This affidavit (the "Affidavit") is an essential part of an application to a private mortgage lending institution (the "Lender") for a mortgage loan (the "Mortgage Loan") for the purchase of a single family residence. If the application is approved, the Mortgage Loan will be originated by the Lender and sold to Colorado Housing and Finance Authority ("CHFA") under a specific program funded with the proceeds of tax-exempt mortgage revenue bonds (the "Program").

This Affidavit is intended to serve two purposes: (i) to help establish that the Mortgage Loan will be eligible for sale to CHFA under the Program, in conformity with State and Federal requirements, and (ii) to make certain that the Borrower understands the nature and extent of the limitations and restrictions that are a part of the terms of the Mortgage Loan.

**The Borrower should read this Affidavit carefully to be sure the information is true and complete. If the Borrower is uncertain as to the meaning of any questions, the Borrower should ask an authorized representative of the Lender for an explanation. The Borrower must complete all questions. If any question is not applicable, answer "N/A."**

The Borrowers, as an essential part of the application for the Mortgage Loan, hereby swear or affirm:

### A. Eligibility of Borrower(s)

1. The residence will be purchased and the following persons will hold title (collectively, the "Borrowers" and each a "Borrower"):

Names of Borrower(s):	<input type="text"/>	<input type="text"/>
	<input type="text"/>	<input type="text"/>

- Homeconnection will auto-fill all borrower's names in this section
- If obtaining form from CHFA website, all borrower's names must be entered in this section

# chfa form 401, initial applicant affidavit - continued

2. To determine the household size, list each of the Borrowers and all other persons who will live or who intend to live in the residence and their relationship to Borrowers.

Names of Occupants	Relationship to Borrower(s)

- Enter all occupants living in the property 50% or more of the time, including borrower, co-borrower, children, etc
- Enter relationship of occupant to the borrower/borrowers (self, borrower, child, etc)

# chfa form 401, initial applicant affidavit - continued

5. I certify that:

A.1. True and correct signed copy of my/our Individual Federal Income Tax Return(s), as filed with the Internal Revenue Service, for the most recent year preceding the date of this Affidavit, has been provided to the Lender for inclusion in CHFA's loan review file; OR

A.2. Important: Check the box and initial only if you were not required to file.

I was not required under applicable law to file an Individual Federal Income Tax return for such year.

Borrower Initials: <input type="text"/>	Borrower Initials: <input type="text"/>
Borrower Initials: <input type="text"/>	Borrower Initials: <input type="text"/>

- This section is only completed if the borrower did **not** file federal income taxes



# chfa form 401, initial applicant affidavit - continued

1) Purchase Price Amount (Exclude usual and reasonable settlement and financing costs.)	\$
2) Less Personal Property (other than fixtures) included in the Sales Contract (List garage sale value of personal property, which might include items such as a washer/dryer, window curtains, furniture, hot tub, or some other appliances or equipment that are not deemed fixtures.)	\$
3) Plus Capitalized Ground Rents If the residence is located on land subject to the payment of ground rent, the amount of ground rent is \$ _____, payable _____ (monthly, quarterly, semi-annually, or annually). Ask the Lender for the correct capitalized amount to be inserted.	\$
4) Plus the greater of cost or fair market value of land included as part of the residence and owned less than two years and purchased other than from the Seller	\$
5) Plus the reasonable costs of completing the residence if it is so incomplete it cannot be occupied under local law	\$
Total (Does not change the Purchase Price or Loan Amount.)	\$

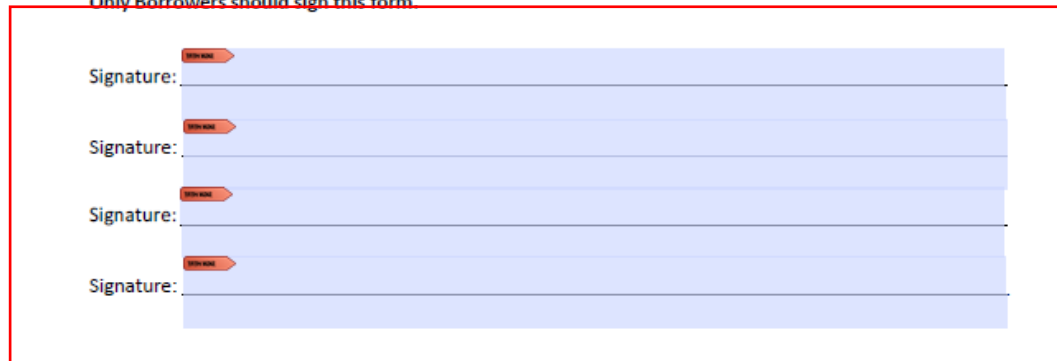
- This information is found on the purchase contract
- Section 2 is the personal property found on the sales contract, need a garage sale value for items such as furniture, washer, dryer, hot tub, extra freezers or refrigerators, etc. This amount is subtracted in this section
- Section 3 is for land lease properties. Enter the amount the borrower is paying for the land lease and is it paid monthly, quarterly or semi-annually
- Total at bottom of section

# chfa form 401, initial applicant affidavit - continued

CHFA Form 401  
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3. I have been advised and understand I may be subject to Recapture Tax under the Code. The Recapture Tax may be applicable if the residence is sold or transferred within nine (9) years of the date from which the Mortgage Loan is closed, if my/our income has increased to more than an amount prescribed by the Code, and if the residence is disposed of with a net gain on sale. Additional information can be found on the CHFA website, [www.chfainfo.com](http://www.chfainfo.com).

Only Borrowers should sign this form.



The image shows a red-bordered box containing four signature lines. Each line consists of the word "Signature:" followed by a blue horizontal bar. At the top left of each bar is a small red arrow pointing right, containing the word "Borrower".

- Borrowers can electronically sign this form, this is the only CHFA form that has electronic signature capability
- Borrowers names will auto-fill under the signature lines when the form is obtained through HomeConnection

# chfa form 719, affidavit of veteran for exception to first time homebuyer requirement

- Only utilized when a qualified veteran is purchasing in a non-targeted area and has owned a home in the past 3 years
- This form will allow the veteran to get their first time homebuyer status back
- Veteran can only request this once in their life, make sure it is necessary
- Copy of DD-214 must be attached to form

Reset Form

Print Form

CHFA Form 719  
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04/10

Colorado Housing and Finance Authority  
www.chfainfo.com

**Affidavit of Veteran For Exception to First Time Homebuyer Requirement**

This affidavit is an essential part of an application to a private mortgage lending institution (the "Lender") for a mortgage loan and/or a mortgage credit certificate related to the purchase of a single family residence. If the application is approved, the mortgage loan will be originated by the Lender and either sold to Colorado Housing and Finance Authority (the "Authority") under a specific Program funded with the proceeds of tax exempt mortgage revenue bonds or the mortgage loan will be attached to a mortgage credit certificate issued by the Authority. This affidavit is intended to qualify you as a veteran with an exception to the first-time homebuyer requirements.

**Read this affidavit carefully to be sure the information is true and complete.** If you are uncertain as to the meaning of any questions, ask an authorized representative of the Lender for an explanation.

\* \* \*

Upon my oath, I state and affirm that:

1. I am a veteran as defined in 38 USC § 101 who served in the active military, naval, or air service, and was discharged or released therefrom under conditions other than dishonorable, as evidenced by the attached VA Form DD-214.
2. I have not previously qualified for and received a mortgage loan that was funded with the proceeds of qualified mortgage revenue bonds under Section 143(d)(2)(D) of the Internal Revenue Code based on my status as a veteran; nor have I previously qualified for and received a Mortgage Credit Certificate under Section 25 of the Internal Revenue Code based on my status as a veteran.

Dated this  day of , 20 .

STATE OF COLORADO )  
 ) ss.  
 County of  )

The foregoing instrument was subscribed and sworn to or affirmed before me this  day of , 20  by .  
Borrower

Witness my hand and official seal. \_\_\_\_\_  
Notary Public  
My commission expires: \_\_\_\_\_

# submission of file for purchase review

# chfa firststep programs purchase guidelines

- All MERS members must close on the MERS/MOM Deed of Trust
  - Non MERS members must use the Standard Deed of Trust and the CHFA Form 230M Assignment
- Lender receives payments on first mortgage loan until purchased by CHFA
  - Lender can take a maximum of 4 payments
  - If utilizing an interest credit, lender MUST take the first payment and any additional payments until CHFA purchases the loan
- Outstanding compliance approval conditions must be in purchase file, if applicable
- Original Collateral send to CHFA's main office
  - Overnight: 1981 Blake Street, Denver, CO 80202
  - Postal mail: PO Box 60 Denver, CO 80201

# chfa firststep programs purchase guidelines

- Endorsement on note or allonge should be to: Colorado Housing and Finance Authority
  - Endorsements must be “wet signed”, signature stamps are not acceptable
  - Only 1<sup>st</sup> mortgage loans should be endorsed to CHFA
    - CHFA 2<sup>nd</sup> mortgage loans do NOT need endorsement
- Principal reductions received on Closing Disclosure require a pay history showing the unpaid principal balance after principal reduction
- Proof that all MIP payments have been made, including late fees prior to purchase
  - FHA loans – FHA Case Details printout

# chfa firststep programs purchase guidelines

- Purchase review turn time is 6 business days from file check in. Suspended or incomplete files will result in further delays
  - Cut off time for file upload is 3:00 pm MT
- Decision letters
  - Available in HomeConnection after review of file
  - Link for decision letter in HomeConnection will be sent to the contact selected in the CHFA Document Delivery System
- Submission of suspense conditions to CHFA
  - Upload through document delivery system or investor connect
    - Utilize the specific line item for the document
    - Using the bulk upload option will delay the review of suspense conditions
  - Suspense conditions will be reviewed in order received within one business day
- Lender must provide final documents to CHFA within 90 days of purchase

# common issues that delay purchase approval and funding

- Purchase file does not check in for review
  - Missing documents or documents uploaded to the incorrect document line
- Missing documentation required in AUS findings
- Incorrect Note or Deed of Trust requiring Modification
- Compliance conditions are not met
- Incorrect, missing, or dated Note Endorsements
  - If an error is made, void any incorrect endorsements prior to sending Note to CHFA for purchase
- Endorser printed name and job title missing
  - Attorney In Fact is allowed to sign, must include Power of Attorney (POA) showing all authorized signors



# common issues that delay purchase approval and funding

- Simultaneous use of note endorsement and allonge
- Missing MIP information
- Missing payment history showing principal reduction applied, property taxes paid and/or MIP disbursements and late fees if applicable
- Missing FHA Case Details report showing FHA/HUD has received and processed MIP payments
- CHFA forms not being utilized from CHFA HomeConnection or CHFA website
  - Forms from Lender's document preparation system or any other document preparation system will not be accepted
  - Forms must also be the most current version
- Final closing documents or CHFA documents signed electronically. All final closing documents and CHFA documents must be "wet" signed by all borrowers

# manufactured home documents

- Manufactured home documentation requirements – state statute
  - When home and land have been purged
    - Affidavit of Real Property for a Manufactured Home
    - Land Lease property – attach copy of land lease to the Affidavit
  - When new construction or home has not been purged
    - Certificate of Permanent Location for a Manufactured Home
    - Certificate of Permanent Location for a Manufactured Home in a Land Lease Community
- Purged = land and home are taxed together as real property

# manufactured home documents

- Manufactured Home Rider
  - Information may be contained in the Deed of Trust
- Affixation Affidavit
  - Unless Manufactured Home Affidavit of Affixation Rider is utilized
  - Must be recorded with first mortgage Deed of Trust
- Manufactured Home Affidavit of Affixation Rider, if applicable
  - Should be recorded with first mortgage Deed of Trust, but acceptable to be recorded separately
  - All information should be completed, including section 14

14. The Homeowner hereby initials one of the following choices, as it applies to title to the Home:

- A. The Home is not covered by a certificate of title. The original manufacturer's certificate of origin, duly endorsed to the Homeowner, is attached to this Affidavit, or previously was recorded in the real property records of the jurisdiction where the Home is to be located.
- B. The Home is not covered by a certificate of title. After diligent search and inquiry, the Homeowner is unable to produce the original manufacturer's certificate of origin.
- C. ~~The manufacturer's certificate of origin and/or certificate of title to the Home~~  
 shall be  has been eliminated as required by applicable law.
- D. The Home shall be covered by a certificate of title.

# purchase documentation requirements

- Follow the list of conditions/documents in the document delivery system or utilize the document checklist for the respective program
  - CHFA Form 751, Compliance Submission Review Checklist
    - ***Do not include checklist in file submission***
  - CHFA Form 220, Tax Exempt Financing Rider
  - CHFA Form 402, Final Applicant Affidavit – must be complete
  - CHFA Form 407, Notice of Recapture Tax
    - Only available in HomeConnection, signature page is only available in HomeConnection once the loan has been approved by CHFA for closing

# chfa form 220, tax exempt financing rider

This form must be attached to and recorded with the First Deed of Trust for all First Mortgage Loans in the CHFA tax exempt programs.

CHFA Form 220  
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06/18.v4

Colorado Housing and Finance Authority  
www.chfainfo.com  
Tax Exempt Financing Rider

This Tax Exempt Financing Rider is made as of the day and year set forth next to the signature given by the undersigned ("Borrower") and is incorporated into and shall be deemed to amend and supplement the Deed of Trust ("Security Instrument") of even date herewith which secures the Borrower's Note ("Note") to the Lender identified in the Security Instrument and covering the mortgaged property described and defined in the Security Instrument (the "Property").

**Additional Covenants:**

In addition to the covenants and agreements made in the Security Instrument, Borrower and Lender further covenant and agree: (1) that this loan is not assumable without the approval of the Lender; and (2) to amend the Security Instrument by adding additional grounds for acceleration as follows:

Lender, or such of its successors or assigns as may by separate instrument assume responsibility for assuring compliance by Borrower with the provisions of this Tax Exempt Financing Rider, may require immediate payment in full of all sums secured by this Security Instrument if:

- (a) All or part of the Property is sold or otherwise transferred by the Borrower to a purchaser or other transferee:
  - (i) Who cannot reasonably be expected to occupy the Property as a principal residence within a reasonable time (e.g., 60 days) after the sale or transfer, all as provided in Section 143(c) and (i)(2) of the Internal Revenue Code; or
  - (ii) Who has had a present ownership interest in a principal residence during any part of the three-year period ending on the date of the sale or transfer, unless the residence is in a targeted area or such purchaser or other transferee is a veteran, if such veteran has not previously qualified for and received such financing, all as provided in Section 143(d) and (i)(2) of the Internal Revenue Code; or
  - (iii) At an acquisition cost that is greater than 90 percent of the average area purchase price (greater than 110 percent for targeted area residences), all as provided in Section 143(e) and (i)(2) of the Internal Revenue Code; or
  - (iv) Who has a gross family income in excess of the applicable percentage of applicable median family income, as provided in Section 143(f) and (i)(2) of the Internal Revenue Code; or
- (b) Borrower fails to occupy the Property described in the Security Instrument within a reasonable time (e.g., 60 days) after financing is provided, without prior written consent of Lender or its successors or assigns described at the beginning of this Tax Exempt Financing Rider; or
- (c) Borrower omits or misrepresents a material fact with respect to the provisions of Section 143 of the Internal Revenue Code in and at the time of an application for the loan secured by this Security Instrument.

Borrower understands and agrees that this Tax Exempt Financing Rider shall be attached to and recorded with the Security Instrument, defined above. If the Security Instrument is recorded without this Tax Exempt Financing Rider attached, then without any further notice or consent, the undersigned Borrower(s) hereby appoints the Lender and/or Colorado Housing and Finance Authority (CHFA), or any person or entity acting upon the directions of either the Lender and/or CHFA, as its attorney-in-fact for the sole and limited purpose of re-recording the Security Instrument in the Property records to attach this Tax Exempt Financing Rider thereto.

References are to the Internal Revenue Code as amended and in effect on the date of the issuance of bonds, the proceeds of which will be used to finance the purchase of the Security Instrument, and are deemed to include the implementing regulations. For all loan types, except FHA loans, in addition to the covenants and agreements in the Security Instrument, Borrower and Lender further covenant and agree as follows:

***Must be recorded  
with first  
mortgage Deed  
of Trust.***

# chfa form 220, tax exempt financing rider - continued

1. In the case of acceleration pursuant to this Tax Exempt Financing Rider, Borrower shall have no right of reinstatement.
2. Upon acceleration under the Security Instrument or abandonment of the Property, Lender and/or its successors and assigns (in person, by agent, or by judicially-appointed receiver) shall be entitled to enter upon, take possession of, and manage the Property and to collect the rents of the Property, including those past due. Any rents collected by Lender and/or its successors and assigns or the receiver shall be applied first to the payment of the costs of management of the Property and collection of rents including, but not limited to, receiver's fees, premiums on receiver's bonds and reasonable attorneys' fees, and then to the sums secured by this Security Instrument.

By signing below, Borrower(s) accept(s) and agree(s) to the terms and provisions in this Tax Exempt Financing Rider.

_____	_____
	Date
_____	_____
	Date
_____	_____
	Date
_____	_____
	Date

State of Colorado )  
  ) ss  
\_\_\_\_\_) County of \_\_\_\_\_)

The foregoing instrument was acknowledged before me on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by \_\_\_\_\_ and \_\_\_\_\_ and \_\_\_\_\_ and \_\_\_\_\_ [Borrower(s)].

My Commission Expires: \_\_\_\_\_

Witness my hand and official seal. \_\_\_\_\_  
Notary Public

- Borrowers sign and date, names will auto-fill under the signature lines and in the notary section if obtained from HomeConnection
- Rider to be attached, and recorded with, the first mortgage Deed of Trust

# chfa form 402, final applicant affidavit

CHFA Form 402  
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Colorado Housing and Finance Authority  
www.chfainfo.com

## Final Applicant Affidavit and Notice of Potential Recapture Tax

This Affidavit, together with the Initial Applicant Affidavit, which you signed previously as a part of your application for a Mortgage Loan, is necessary to establish that the Mortgage Loan is eligible for sale to Colorado Housing and Finance Authority under a specific Program.

\*\*\*\*\*

I, we, us, you, refer to those person(s) whose name(s) appear as owner on the deed to the property securing the Mortgage Loan.

1. I (we) as applicant(s) for the Mortgage Loan hereby swear or affirm that no changes in the circumstances relating to my (our) application for the Mortgage Loan and the purchase of the residence to be financed with said Mortgage Loan have occurred since the date I (we) executed the Initial Applicant Affidavit, and that all of the certifications and representations made in the Initial Applicant Affidavit are true and correct as of the date of the closing of the Mortgage Loan.

If above is not applicable, complete the following:

The circumstances relating to my (our) application for the Mortgage Loan and the purchase of the residence to be financed with said Mortgage Loan have changed since the date I (we) executed the Initial Applicant Affidavit and declare that the following statements contained therein are no longer complete and accurate and such statements should be corrected, amended, or modified as follows:

2. I (we) as applicant(s) for the Mortgage Loan hereby swear or affirm that either:

No additional Individual Federal Income Tax returns have been filed by me/us since the date of the Initial Applicant Affidavit and, under applicable law, no such additional Federal Income Tax returns are required to have been filed; or attached hereto are true and correct signed copies of any additional Federal Income Tax returns, as filed with the Internal Revenue Service since the date of the Initial Applicant Affidavit.

3. Notice of Potential Recapture Tax on Sale of Home

Because you are receiving a Mortgage Loan from the proceeds of a tax exempt bond, you are receiving the benefit of a lower interest rate than is customarily charged on other mortgage loans. If you sell, transfer or otherwise dispose of your home during the next nine (9) years, this benefit may be "recaptured".

The recapture is accomplished by an increase in your Federal Income Tax for the year in which you sell your home. The recapture only applies, however, if you sell your home at a gain, and if your income increases above specified levels.

You may wish to consult a tax advisor or the local office of the Internal Revenue Service at the time you sell your home to determine the amount, if any, of the Recapture Tax. Within the next 90 days, you will be given additional information that will be needed to calculate the Recapture Tax.

- Form is for any changes or omissions to information on the CHFA Form 401, Initial Applicant Affidavit
- Check the Program Compliance Approval letter for and changes/corrections to be added to CHFA form 402

# chfa form 402, final applicant affidavit

- Borrowers will sign, date and have signatures notarized at closing

_____	_____
_____	Date
_____	_____
_____	Date
_____	_____
_____	Date
_____	_____
_____	Date

State of Colorado )  
 ) ss  
\_\_\_\_\_ County of \_\_\_\_\_ )

The foregoing instrument was signed and sworn to or affirmed before me on this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by \_\_\_\_\_, and \_\_\_\_\_, and \_\_\_\_\_, and \_\_\_\_\_ [Borrower(s)].

My Commission Expires: \_\_\_\_\_

Witness my hand and official seal. \_\_\_\_\_  
Notary Public



# chfa form 407, notice of recapture tax

CHFA Form 407  
Page 1 of 4  
04/17.v2

- Form is only available in HomeConnection
- Borrower information will auto-fill at the top
- Line A is the total first mortgage loan amount (base loan amount plus UFMIP)
- Line B is the CHFA second mortgage loan amount, if there is no CHFA 2<sup>nd</sup> mortgage, enter \$0.00
- Line C will auto-calculate, but the calculation is the total of lines A and B multiplied by 6.25%
- Line D is the closing date, if the date changes, this needs to be corrected

Colorado Housing and Finance Authority (CHFA)  
www.chfa.info.com

## Notice of Recapture Tax to Mortgage Loan Borrowers

### Section I. Borrower Information

Borrower's Name:

Your residence is located in a: non-targeted area

Address of Residence:

Lines A - D below are to be completed by Lender

A. Borrower's 1<sup>st</sup> Mortgage Loan Amount: (Line A) \_\_\_\_\_

B. Borrower's 2<sup>nd</sup> Mortgage Loan Amount: (Line B) \_\_\_\_\_

Note: Only complete B if Borrower has a CHFA 2<sup>nd</sup> loan.

If 2<sup>nd</sup> loan is NOT a CHFA loan, insert \$0.

C. Federally Subsidized Amount: (Line C) \_\_\_\_\_

Note: C is the sum of A and B multiplied by 6.25% and is also the Maximum Recapture Tax referred to in III (B) below. How to Calculate:  $(A + B) \times .0625 = C$

Example:  $(\$100,000.00 + \$3,000.00) \times .0625 = \$6,437.50$

D. Mortgage Loan Closing Date: (Line D) \_\_\_\_\_

### Section II. Notice of Potential Recapture Tax on Sale of Home

Because you are receiving a Mortgage Loan from the proceeds of a tax exempt bond, you are receiving the benefit of a lower interest rate than is customarily charged on other mortgage loans. If you sell or otherwise dispose of your home during the next nine (9) years, this benefit may be "recaptured."

The recapture is accomplished by an increase in your Federal Income Tax for the year in which you sell your home. The recapture only applies, however, if you sell your home at a gain, and if your income increases above specified levels.

You may wish to consult a tax advisor or the local office of the Internal Revenue Service at the time you sell your home to determine the amount, if any, of the Recapture Tax. In this Notice you are being given additional information that will be needed to calculate the Recapture Tax.

# chfa form 407, notice of recapture tax

- Signature page will only be available in HomeConnection once the loan is Program Compliance Approved
- Income chart is specific to the area or county in which the property is located. This will help borrowers determine if they trigger this factor for potential recapture
- Borrowers sign and date form at the bottom

		Denver - Aurora MSA			
		Non-Targeted Area		Targeted Area	
		Family Members Living in Home at Time of Sale		Family Members Living in Home at Time of Sale	
Home Sold During Year	Holding Period %	2 or Less	3 or More	2 or Less	3 or More
1	20%	\$100,680	\$117,460	\$100,680	\$117,460
2	40%	\$105,714	\$123,333	\$105,714	\$123,333
3	60%	\$111,000	\$129,500	\$111,000	\$129,500
4	80%	\$116,550	\$135,975	\$116,550	\$135,975
5	100%	\$122,377	\$142,773	\$122,377	\$142,773
6	80%	\$128,496	\$149,912	\$128,496	\$149,912
7	60%	\$134,921	\$157,408	\$134,921	\$157,408
8	40%	\$141,667	\$165,278	\$141,667	\$165,278
9	20%	\$148,750	\$173,542	\$148,750	\$173,542

\*Prior to the anniversary of the Closing Date. For instance, a home sold during Year 4 means on or after the third anniversary of the Closing Date but before the fourth anniversary of the Closing Date.

THIS NOTICE GIVES CERTAIN BASIC INFORMATION ABOUT THE RECAPTURE TAX BUT IS NOT INTENDED TO BE A COMPLETE GUIDE TO THE RECAPTURE PROVISIONS OF THE CODE. YOU SHOULD CONSULT YOUR TAX ADVISOR AT THE TIME YOU SELL YOUR HOME TO DETERMINE THE AMOUNT, IF ANY, OF SUCH RECAPTURE TAX.

This Notice is provided by the Colorado Housing and Finance Authority pursuant to Section 143(m)(7) of the Code. Please acknowledge that you have received and have read this Notice by signing in the space(s) provided below.

COLORADO HOUSING AND FINANCE AUTHORITY

ACKNOWLEDGED

_____	_____
Borrower	Date
_____	_____
Borrower	Date

# chfa form 407, notice of recapture tax – in homeconnection

The screenshot shows a web interface for a loan account. At the top, there are tabs for 'Loan' and 'Documents and Forms'. Below the 'Documents and Forms' tab, there is a sidebar on the left with links for 'Reservation', 'Compliance', 'Closing' (highlighted), 'Purchase', 'Funding', and 'Post Closing'. To the right of the sidebar, there are two columns: 'Documents' and 'Forms'. The 'Documents' column contains two items: '407 NOTICE OF RECAPTURE TAX SIGNATURE PAGE (PAGE 4)' and '407 NOTICE OF RECAPTURE TAX INSTRUCTIONS'. The 'Forms' column contains three items: '407 Notice of Recapture Tax (Pages 1-3)', '220 Tax-Exempt Financing Rider – All Loan Types', and '402 Final Applicant Affidavit'. A 'Close' button is located at the bottom right of the interface.

- CHFA Form 407, Notice of Recapture Tax is found in HomeConnection by clicking the “paper/forms” icon to the right of the loan, then click the “closing” link
- Pages 1-3 are available under the “Forms” column when the loan is locked
- Page 4 (signature page) and instructions are available under the “Documents” column once the loan is Program Compliance Approved

# contact us for information

- toll free: (888) 320-3688
- email: [homeownership@chfainfo.com](mailto:homeownership@chfainfo.com)



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thank you!

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