

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

chfa home finance



*financing the places where  
people live and work*

## Disclaimer

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

- FHA only (no 203(k))
  - Income and purchase price limits will apply
  - May use DU or LPA AUS Total Scorecard findings
  - Manual underwrites acceptable per FHA guidelines
  - Temporary buydowns acceptable
  - Manufactured housing – single, double wide, or larger acceptable to FHA guidelines
- 
- 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, CHFA or non-CHFA, cannot be utilized
  - Recapture Tax provision

# 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 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 5, Section 501 of the CHFA Seller's Guide

# 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
- Recapture Tax disclosure given to borrowers at closing
  - CHFA Form 407, Notice of Recapture Tax
- CHFA will reimburse any Recapture Tax paid by borrowers
  - Borrower(s) submits CHFA Form 950 and required documents after recapture tax is paid

# 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
  - 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):


References to "I" "me" "us" "my" and/or "our" hereunder refer to each, any and all person(s) listed as Borrower(s) above.





# 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)



# chfa form 401, initial applicant affidavit - continued

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: \_\_\_\_\_  
Borrower Initials: \_\_\_\_\_



# chfa form 401, initial applicant affidavit - continued

## B. Residence and Location

The residence is located within the State of Colorado (i.e., the jurisdiction of CHFA). The residence is, or is to be, located at the following address: \_\_\_\_\_  
Unit Number \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_

I certify and represent that I intend to and will occupy the residence as my/our principal residence, and not as a second home or vacation home, within 60 days after the closing of the Mortgage Loan. **I further certify and represent that the residence will not be rented or leased to any person during the term of the Mortgage Loan without the prior written consent of CHFA and I acknowledge that CHFA may be unable to grant its consent under applicable law.**

Borrower Initials: \_\_\_\_\_  
Borrower Initials: \_\_\_\_\_



# 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.)	\$

# chfa form 401, initial applicant affidavit - continued

Only Borrowers should sign this form.

Signature: \_\_\_\_\_  
Signature: \_\_\_\_\_  
Signature: \_\_\_\_\_  
Signature: \_\_\_\_\_

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

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

Print Form

Reset Form

CHFA Form 719  
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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: \_\_\_\_\_



# 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, Purchase Submission Review Checklist
    - ***Do not include checklist in file submission***
  - CHFA Form 220, Tax Exempt Financing Rider
    - Must be attached to first mortgage loan Deed of Trust
  - CHFA Form 402, Final Applicant Affidavit
  - CHFA Form 407, Notice of Recapture Tax

# 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  
Page 1 of 2  
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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

CHFA Form 220  
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- 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.

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

\_\_\_\_\_ 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



# 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.



# chfa form 402, final applicant affidavit

CHFA Form 402  
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_____	_____
	Date
_____	_____
	Date
_____	_____
	Date
_____	_____
	Date

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

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  
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04/17.v2

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

## 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.

Fillable and will auto calculate Line C if obtained in the HomeConnection site.



# chfa form 407, notice of recapture tax

CHFA FORM 407/MCC-14  
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Home Sold During Year	Holding Period %	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	
		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



# contact information

- (888) 320-3688
- [customerservicedesk@chfainfo.com](mailto:customerservicedesk@chfainfo.com)



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