

Bulletin # 163
August 1, 2019

To: CHFA Lenders
From: CHFA Single Family Underwriting
Subject: **HFA Preferred™ Program – AMI Overlay & DTI**

CHFA has been notified by Fannie Mae (FNMA) that it will begin instituting Loan Level Price Adjustments (LLPA) for certain loans delivered through the HFA Preferred™ Loan Program. In essence, FNMA will charge an additional one-time upfront fee for loans delivered to FNMA when the borrower earned income is greater than 80% of the area median income (AMI).

The CHFA HFA Preferred Program is being revised to limit program eligibility to applicants that meet the 80% AMI requirement. **CHFA will not collect LLPA's on the HFA Preferred™ Program loans.** Since CHFA is a Mortgage Revenue Bond (MRB) issuer and its borrowers are subject to the IRS Income Limits, the FNMA AMI income test will be an overlay utilizing a separate annual table as shown below:

CONNECTICUT – 2019 AMI – FANNIE MAE*

County Name**	2019 Area Median Income (AMI)	2019 Low-income - 80% (AMI)
Fairfield	\$119,000	\$95,200
Hartford	\$98,400	\$78,720
Litchfield	\$100,900	\$80,720
Middlesex	\$98,400	\$78,720
New Haven	\$90,700	\$72,560
New London	\$96,200	\$76,960
Tolland	\$98,400	\$78,720
Windham	\$95,300	\$76,240

* AMI for HFA Preferred™ and HomeReady® is identical. Please refer to <https://www.fanniemae.com/singlefamily/homeready>.

** For 2019, all towns in each county have the same AMI.

FNMA relies on the Annual Qualifying Income (*for underwriting*) to compute the AMI and not on the Annual Household Size Income (*for IRS [CHFA Income Limit Chart]*) which CHFA maintains in determining bond eligibility.

Example: Property for a household of two (2) in Colchester, New London County. The CHFA IRS Income Limit is \$110,200. The FNMA 80% AMI limit is \$76,960. Borrowers Annual Qualifying Income is \$75,500 and Annual Household Size Income is \$85,000. While the Annual Household Size Income (*for IRS*) is higher, this loan qualifies (*post September 5*) due to its Annual Qualifying Income (*for underwriting*) being lower than the 80% AMI.

Effective with Reservations on or after September 4, 2019, CHFA will add the FNMA AMI overlay to the HFA Preferred™ Loan Program; borrowers earning income greater than 80% of the AMI (based on the Annual Qualifying Income calculation for underwriting), will not be eligible for CHFA mortgage loan financing under the HFA Preferred™ Program. Participating lenders are required to run the loan through DU before reserving the loan through CHFA to ensure eligibility.

Effective with Reservations on or after September 4, 2019

Total Debt to Income Ratios:

- The maximum Total Debt-to-Income Ratio for FHA and HFA Preferred™ Program loans is being lowered to 45%. *(unless a lower maximum DTI is required for property type per insurer or HUD guidelines)*
- All loans with CHFA DAP must meet CHFA DAP ratio guidelines of 35% / 43%.
- Income Limits **will not** be waived in Federally Targeted Areas for the HFA Preferred™ Program.