

PROGRAM OUTLINE AND UNDERWRITING GUIDELINES

Title: Connecticut Housing Finance Authority Fannie Mae HFA Preferred™ Product
(Including U.S. Bank Credit Overlays for Servicing)

PURPOSE AND OVERVIEW:

The HFA Preferred loan program will provide CHFA first and second mortgage loan financing to eligible first-time homebuyers in compliance with CHFA and FANNIE MAE (FNMA) eligibility requirements following U.S. Bank’s parameters for delivery, purchase and pooling. Loans originated under this program may be insured by Private Mortgage Insurance (PMI) and will also be subject to the underwriting criteria of the PMI Company insuring the loan.

PARAMETER	Eligibility Requirements
LENDER ORIGATION FEE	<ul style="list-style-type: none"> ▪ 1%
CHFA ALLOWABLE FEES	<ul style="list-style-type: none"> ▪ Underwriting - \$350 ▪ Processing - \$350 ▪ Adverse Market Fee - .25 basis points <p><i>Note: The Adverse Market Fee is a closing cost and must be listed on the GFE. At the Lender’s discretion the fee may be listed separately or added to the Loan Origination Fee and disclosed as 1.25%.</i></p> <p><i>As part of the closing costs the Adverse Market fee may be funded by DAP for eligible borrowers’.</i></p> <p><i>Additional allowable fees to the borrower include those fees that are customary, reasonable and necessary to close the mortgage loan.</i></p>
CHFA INTEREST RATE	Same as the CHFA Regular Homebuyer Program interest rate in effect at the time of reservation.
AMORTIZATION	30-Year Term, Fixed Rate Mortgage (FRM).
TARGET GEOGRAPHY	State of Connecticut
ELIGIBLE BORROWERS	First-time homebuyers (waived in targeted areas – borrowers may not own any other property at the time of loan closing).
ELIGIBLE PROPERTY TYPES	<ul style="list-style-type: none"> ▪ 1 – 4 unit dwellings ▪ Planned unit developments ▪ FNMA eligible condominiums ▪ No manufactured housing or co-ops
ELIGIBLE OCCUPANCY	Owner occupied only (investment properties not allowed).

ELIGIBLE PURPOSE	Purchases only (refinance not allowed).
DESKTOP UNDERWRITER®(DU®)	Desktop Underwriter (DU) is required with recommendation of Approve/Eligible is required. <i>(See Qualifying Ratios)</i>
MINIMUM CREDIT SCORE	<ul style="list-style-type: none"> ▪ U.S. Bank minimum credit score 640 <i>(HFA Preferred™ loans will be purchased and serviced by U.S. Bank. The minimum credit score for delivery to US Bank is 640. Qualified borrower(s) with a credit score below 640 may be eligible for loan approval – see Exhibit A for details.)</i>
NON-TRADITIONAL CREDIT	<ul style="list-style-type: none"> ▪ Borrower(s) without credit scores are eligible following FNMA underwriting guidelines for submitting files with manual underwriting and non-traditional credit <i>(Loans with non-traditional credit manual underwrites are eligible for delivery to US Bank as long as the loan was underwritten following FNMA guidelines. Loans submitted with non-traditional credit are not eligible for CHFA DAP)</i>
QUALIFYING RATIOS	<ul style="list-style-type: none"> ▪ Maximum DTI = 45% (U.S. Bank requirement) ▪ Mortgage Insurer guidelines will also apply
MAXIMUM LTV/CLTV	<ul style="list-style-type: none"> ▪ One-unit: 97% / 105% ▪ 2-4 units: 95% / 105% ▪ Mortgage Insurer CLTV limit will also apply and may be lower
MINIMUM BORROWER CONTRIBUTION	<ul style="list-style-type: none"> ▪ One-unit: \$0 ▪ 2-4 units: 3% for all transactions <i>Mortgage Insurer guidelines will apply; LTV may impact amount of required borrower contribution on one-unit transactions.</i> <i>Borrower(s) purchasing 2-4 unit properties that make the minimum contribution of 3% from their own funds will be eligible to apply for CHFA DAP for the remaining 2% of the down payment to meet the maximum LTV requirement of 95% and closing costs (if needed) provided they meet <u>all CHFA DAP eligibility and underwriting criteria.</u></i>
SUBORDINATE FINANCING	<ul style="list-style-type: none"> ▪ FNMA Approved Community Seconds ▪ CHFA DAP ▪ Insurer guidelines for subordinate financing will apply

	<i>(The maximum LTV/CLTV Limit set by Fannie Mae [or as determined by the MI Company insuring the loan] will apply. If using a Financed Single Premium the maximum LTV may not be increased above the FNMA established limit of 97%.)</i>
INCOME REQUIREMENTS	<ul style="list-style-type: none"> ▪ CHFA Income Limits Apply <p><i>There are no exceptions for Income Limits in Targeted Areas.</i></p>
SALES PRICE LIMIT	<p>FNMA conforming loan limits apply (LIMIT MUST ALSO BE WITHIN THE CHFA SALES PRICE LIMIT FOR THE AREA):</p> <ul style="list-style-type: none"> ▪ 1 unit = \$ 417,000 ▪ 2 unit = \$ 533,850 ▪ 3 unit = \$ 645,300 ▪ 4 unit = \$ 801,950 <p><i>(The Sales Price Limit cannot exceed the CHFA Sales Price Limit for the city/town where the property is located and it must be within the Fannie Mae Maximum Loan Limit for the property type.)</i></p> <p><i>(In some instances the CHFA Sales Price Limit will be higher than the Fannie Mae Maximum Loan Limit; in these instances, the Fannie Mae Maximum Loan Limit will apply.)</i></p>
RESERVES	<ul style="list-style-type: none"> ▪ As required by DU and/or the MI Company insuring the loan
INTERESTED PARTY CONTRIBUTIONS	<ul style="list-style-type: none"> ▪ 3% max for LTV greater than 90% ▪ 6% max for LTV less than or equal to 90%
HOMEBUYER EDUCATION	<ul style="list-style-type: none"> ▪ Required for at least one borrower / co-borrower
ELIGIBLE MORTGAGE INSURERS	<ul style="list-style-type: none"> ▪ Genworth Mortgage Insurance Company (GE) ▪ Mortgage Guaranty Insurance Corporation (MGIC) ▪ Radian ▪ United Guaranty (UGI)
MORTGAGE INSURANCE COVERAGE	<ul style="list-style-type: none"> ▪ 18% for LTVs > 95% and <= 97% ▪ 16% for LTVs > 90% and <= 95% ▪ 12% for LTVs > 85% and <= 90% ▪ 6% for LTVs > 80% and <= 85%

Exhibit A

Connecticut Housing Finance Authority (CHFA)

Minimum Credit Score Guidelines

The Connecticut Housing Finance Authority (CHFA), Single Family Residential Mortgage Programs, is committed to fulfilling our mission of helping to alleviate the shortage of affordable housing for low-and-moderate income families and persons in Connecticut by helping to make homeownership opportunities available for all CHFA eligible and qualified first-time homebuyers in the State.

To help achieve this goal, CHFA Homebuyer Mortgage Loan Programs **do not have a set minimum credit score requirement**; however, Lenders are required to follow the guidelines of the loan Guarantor or Insurer, i.e. FHA, VA, RD, or PMI as applicable.

On June 10, 2013, CHFA notified Service Released Lenders that U.S. Bank, the Master Servicer for CHFA Government Guaranteed Loans (FHA, VA, and RD), would no longer purchase CHFA loans originated with credit scores below 640. This change was effective with loan reservations dated on or after June 1, 2013.

*In response to this change in U.S. Bank policy beginning with reservations dated on or after June 1, 2013 CHFA will assign the Master Servicer based on the application credit score. For Service Released Lenders loans, qualified eligible borrowers with credit scores below 640 will automatically be assigned to **BOGMAN, INC. as the Master Servicer**; loans for qualified eligible borrowers with credit scores of 640 or higher will automatically be assigned to U.S. Bank as the Master Servicer.*

Service Retained Lenders will continue to service CHFA loans in compliance with the terms of CHFA Servicing Agreement Contract.

The designated loan servicer will be reflected on the CHFA Commitment to Purchase Letter sent to lenders for all approved loans. Lenders will deliver loans to the designated Master Servicer following the procedures described in the CHFA Homebuyer Mortgage Program Operating Manual Section 7 – Loan Purchase.

Lenders are requested to continue originating mortgage loans for eligible, qualified CHFA borrowers without interruption.

HFA PREFERRED™ APPLICATIONS

HFA Preferred™ loans must be insured by Private Mortgage Insurance (PMI). Generally, the minimum credit score for PMI approval will be higher than the 640 credit score set by U.S. Bank and loans will be eligible for purchase and delivery by U.S. Bank. Manual underwrites are allowed for borrowers without credit scores when underwritten in compliance with FNMA Non-Traditional underwriting guidelines and are also eligible for purchase and delivery.

Exhibit B

CHFA HFA PREFERRED™ MORTGAGE INSURANCE ELIGIBILITY MATRIX

(This chart shows requirements for DU Approve/Eligible 1 unit transactions only; Refer to MI Company guidelines for multi-unit transactions)

	Fannie Mae	Genworth (GE) (8/1/13)	Mortgage Insurance Guaranty Corp (MGIC) (5/1/13)	Radian (7/26/13)	United Guaranty (UGI) (7/13/2013)
Maximum LTV / CLTV	97%/105%	97%/105%	97%/103%	97%/100%	97%/100%
Minimum Credit Score (FICO)	Per DU / DO If manual underwrite follow eligibility matrix 680 / 700 based on DTI of less than 36% or 45%	97% - 680 95% - 660	97% - 680 95% - 660	97% - 680 95% - 620	97% - 680 95% - 660
Maximum DTI	Per DU / DO If manual underwrite follow eligibility matrix	45%	45%	Per DU / DO	41%
DU Eligibility	—	Approve Eligible with FICO & DTI overlays	Approve Eligible with FICO & DTI overlays	Approve Eligible with FICO & DTI overlays	Approve Eligible with FICO & DTI overlays
Borrower Cash	No minimum from borrower own funds	680 - 1% 660 - 1%	3% from borrower own funds Lesser of \$1,000 or 1% with credit score ≥ 700; DTI ≤ 41% and 2 months reserves	3% from borrower own funds	Lesser of \$1,000 or 1% Gifts/grants can apply toward the \$1,000 or 1% when the loan meets all of the following: <ul style="list-style-type: none"> ▪ Minimum 740 credit score ▪ Loan does not have subordinate financing
Reserves	Per DU / DO If manual underwrite follow eligibility matrix	As per DU / DO	2 months PITI	As per DU/DO	2 months PITIA