

SECTION 4 – LOAN CLOSING

4.1 Terms and Conditions of First Mortgage Loans

A. *Priority of Lien*

Each first mortgage loan must be secured by a valid first lien on the Eligible Dwelling. The property must be free and clear of all prior encumbrances and liens except as approved by CHFA, and no rights may be outstanding that could give rise to such liens.

See Loan Program Outline and Underwriting Guide for Subordinate Financing Lien Priority Requirements.

B. *Validity and Enforceability*

The note, mortgage deed, and any other instruments securing the Loan must be legal, valid and binding obligations of the borrower, enforceable in accordance with their terms, free from any right of set-off, counterclaim or other claim or defense. The terms of the Loan may not be modified, amended, waived or changed, except as approved by CHFA.

CHFA does not allow anyone that is not a mortgage loan applicant (i.e. borrower or co-borrower) to sign the CHFA Mortgage Note or the CHFA Mortgage Deed on any CHFA Residential Mortgage loan transaction.

If a spouse or Fiancée, or any other member of the household, is not an applicant on the mortgage loan, (i.e. borrower or co-borrower), they may not execute the CHFA Mortgage Note or the CHFA Mortgage Deed at closing, or otherwise secure an ownership interest in the subject property.

No other person or entity may be added to the CHFA Mortgage Deed.

C. *Prepayment Penalty and Late Charges*

Prepayment penalties are not permitted on any Loan. A Loan may provide for a late charge in an amount not to exceed 5% on payments that are 15 days or more past due. Follow investor/insurer guidelines.

D. Escrow Payments

Each payment must provide for the monthly collection of escrow payments for real estate taxes, mortgage insurance premiums, hazard insurance premiums, and flood insurance premiums, if applicable, in addition to the monthly installment of principal and interest. The Participating Lender or Servicer shall pay interest on escrow deposits at a rate not less than the minimum set forth in applicable statutes or regulations.

E. Interest Rate

The interest rate applicable to any Loan shall be the interest rate that is shown on the Mortgage Loan Commitment.

F. Forms

Each Loan must be executed on printed forms approved by FHA, USDA, or VA, where applicable, or on FNMA/FHLMC uniform instruments approved for use in the State. The Tax-Exempt Financing Rider (*CHFA Form #053-1199*), must be executed and recorded. Condominium, PUD, and one to four family riders, as appropriate, must be executed and recorded. The promissory note for each Loan must be endorsed by the Participating Lender to CHFA unless the loan is being released for servicing pursuant to Section 6.2.C.

G. Compliance with Laws

All requirements of federal and state laws, rules and regulations now existing or hereafter adopted, applicable to mortgages and mortgage loan transactions, including without limitation, truth-in-lending laws, equal opportunity laws, usury laws and laws regulating interest on escrow accounts, must be complied with, and the mortgage and the Participating Lender must not violate any such laws, rules or regulations. In the case of any conflict between the requirements of this Manual and any federal or state

law, rule or regulation, the provisions of federal or state law, rule or regulation shall govern and the Manual will be deemed to be amended to conform thereto. CHFA must be notified of any such conflict known to the Participating Lender.

4.2 Closing Costs / Fees

A. Acceptable Closing Costs

Fees to be paid by the borrower must be reasonable and customary, including the appraisal fee and any inspection fees, cost of credit reports, processing fees, underwriting fees, home inspection fees, cost of title examination and title insurance, attorney fees, recording fees, courier fees, taxes, certificate and test fees.

The maximum allowable amount CHFA will allow a Lender to collect on first mortgage loan transactions in the Closing Costs Details, Loan Costs, Section A. Origination Charges of the LE/CD are listed below:

- Lenders may charge a total of \$1,295 as the maximum ancillary fees/origination charge to be disclosed in the Origination Charges Box on the LE and CD.
 - Should a loan not close within 60 days of Reservation through no fault of the lender, Participating Lenders may collect and retain one (1) extension fee of 0.25% of the loan amount. No additional extension fees may be charged.
- In addition to the above fees:
 - 203(k) Standard – lenders may collect and retain an Origination Charge of 2.50%
 - 203(k) Limited – lenders may collect and retain Origination Charge of 1.50%
 - Supplemental Origination Charge – the greater of \$350 or 1.50% of the cost of the improvements. (see HUD Form 92700 for max.)
 - CHFA Loan Processing Fee = \$395
 - CHFA Loan Underwriting Fee = \$395
- For maximum fees on CHFA’s subordinate financing programs, refer to the appropriate Loan Program Outlines & Underwriting Guide for allowable fees/costs.

First Mortgage Loans Delivered to: Idaho Housing and Finance Association (IHFA) Only *(Not applicable for loans delivered to any other servicer)*

- Tax Service Fee = \$85.00 Conventional loans only
- MERS = Up to \$24.95
- Flood Determination Company Transfer Fee = \$10.00

Document preparation fees may also be charged if performed by a third-party not controlled by the Lender. If charged, the document preparation fee may not exceed \$300.00.

B. Unacceptable Closing Costs - CHFA Eligible Borrowers may not be charged;

1. Commitment fee
2. Discount Points (unless discounted rate is offered by CHFA)
3. Fees for guaranteeing the rate
4. Ineligible real estate broker fees

C. Seller Paid Closing Costs

Seller paid closing costs are permitted to the extent of the mortgage insurers' (FHA, VA, USDA and PMI) and program guidelines (HFA Preferred™ & HFA Advantage®).

D. Fees

1. All fees collected from the Borrower, including but not limited to, origination charges, shall not in their aggregate exceed the amount allowed by the program. No additional fees may be charged by the Participating Lender to either the seller or the borrower without prior written approval from CHFA.

2. The Participating Lender will be permitted to recover from the borrower all reasonable out-of-pocket expenses incurred in the Loan application in an amount not to exceed 100% of actual cost. Out-of-pocket expenses include those cash expenditures incurred by the Participating Lender to pay for outside services rendered, such as appraisals by outside independent fee appraisers and credit reports by independent credit reporting agencies.

4.3 Title Insurance

A. Original Mortgagee's Policy

The mortgage must be covered by a mortgagee's title insurance policy which shows good and marketable title to the mortgaged property. The benefits of such insurance must run to CHFA and must be issued on a form consistent with the standard ALTA form by a title insurer acceptable to CHFA. The policy must be in an amount equal to the original principal balance of the Loan. The original policy must accompany the Loan purchase package and must be signed by a licensed agent. The borrower shall be advised of the availability, coverage, and cost of simultaneous issuance of owners' title insurance; however, owners' coverage is not required by CHFA.

B. Additional Requirements – Schedule A

1. The named insured should be in the following form: “(Participating Lender) and/or Connecticut Housing Finance Authority, its successors and/or assigns, as their interest may appear”. (The following abbreviation is also acceptable: “...as their interests may appear” = **ATIMA**).
2. Recording data for both the mortgage deed and the assignment of mortgage to CHFA must be reflected.
3. **Mortgage Electronic Registration System (MERS)** - CHFA is not a member of the Mortgage Electronic Registration System. Assignment of CHFA mortgage loans in MERS is strictly prohibited.
 - a. CHFA Mortgage Loans that are **AmeriNat or Service Retained** must be assigned in the name of the Connecticut Housing Finance Authority. Please check the commitment to confirm servicer information.
 - b. CHFA Servicer - **Idaho Housing and Finance Association** is a member of MERS, and IHFA loans must be assigned in **MERS to IHFA #1009670**.
 - c. This policy may be amended by CHFA at will to accommodate the sale of mortgage loan pools to FNMA, FHLMC, GNMA or any other CHFA designated authorized entity.
4. The title policy shall be endorsed from time to time as applicable to show mortgage modifications and other correcting documents which may be recorded.

C. Additional Requirements – Schedule B

1. If required, the survey must be an exhibit to the title insurance policy.
2. Exceptions for agreements or restrictive covenants of record relating to cost, use, set-back, minimum-size, building materials, architectural, aesthetic or similar matters (other than single family use restrictions on two-to-four family properties) are acceptable to CHFA if:
 - a. There is no reversion or forfeiture of title in the event of violation hereof;
 - b. The terms and provisions of such agreements or restrictive covenants are commonly and customarily acceptable to prudent lending institutions in the area in which the property is located; and
 - c. No violation of any such agreement or restrictive covenant exists.

3. Covenants, restrictions, agreements and other encumbrances must be covered by title policy language which affirmatively insures that a breach or violation of such covenants, restrictions, agreements and encumbrances will not result in a forfeiture or reversion of title.

The following additional exceptions will be acceptable to CHFA:

- a. Any mutual agreement of record which establishes a joint driveway or an adjoining property, but only if the easement agreement allows all present and future owners, their heirs and assigns forever, unlimited use of the driveway or party wall without any restriction other than restrictions by reason of the mutual easement owner's rights in common and duties as to joint maintenance as applicable.
- b. Encroachments on the subject property by improvements on adjoining property where such encroachments extend one foot or less over the property line, have a total area of fifty square feet or less, do not touch any building and do not interfere with the use of any improvements on the subject property or the use of property not occupied by improvements.
- c. Liens for real estate or other taxes and assessments not yet due and payable.
- d. Normal utility easements benefiting the subject property.

D. Standard Endorsements

The title insurance policy shall include the following standard endorsements, on forms substantially the same as those indicated herein:

1. Residential Mortgage Endorsement – CTA Form 001 (where applicable).
2. Environmental Lien Endorsement – ALTA Form 8.1.
3. Condominium Endorsement – ALTA FORM 4 (where applicable).

4.4 Hazard/Flood Insurance

A. Minimum Coverage

Follow Agency/Investor Guidelines. An Eligible Dwelling securing the Loan must be covered by hazard insurance as follows:

B. Maximum Deductibles

See Hazard Insurance Guide in Loan Program Resources at www.chfa.org

C. Loss Payee

Refer to: Hazard Insurance Guide in Loan Program Resources at www.chfa.org

D. Policy Requirements

1. All policies of hazard insurance must contain or have attached a standard mortgagee clause naming The Connecticut Housing Finance Authority C/O, “(The loan servicer) its successors and/or assigns as their interest may appear” as the insured. The following abbreviations are acceptable:
 - a. “its successors and/or assigns” = **ISAOA**
 - b. “as their interest may appear” = **ATIMA**
2. The policy must provide that the insurance carrier will provide written notice to the loan servicer at least ten (10) days in advance of the effective date of any change or cancellation of the policy.
3. The Participating Lender shall give any necessary notices in order to fully protect the interest of CHFA as first lienholder under the terms of the policy and applicable law.
4. Refer to Section 6 – Loan Purchase for additional mortgagee clause information as follows: Section 6 .3.B – Release of Servicing for Conventional Loans (Non-Government Insured Loans) or Section 6 .3.C – Release of Servicing and Loan Funding for Conventional Loans and Government Insured Loans.

Terms and Conditions of Subordinate Loans add cannot subordinate in case of refinance

A. Priority of Liens

1. CHFA Down Payment Assistance Program (DAP) Loans must be in 2nd position except when prior approval by CHFA is obtained.
2. CHFA Time to Own (TTO) program loans may be in last position of all liens recorded

B. Term

1. CHFA Subordinate Loans must be at least \$3,000 minimum. Please refer to the appropriate Loan Program Outlines & Underwriting Guide for additional information parameters.

C. Subordination is not allowed

1. If current CHFA mortgage is refinanced, CHFA DAP and TTO can not be subordinated. They must be paid off in the refinance.

D. Late Charge

1. There is a \$5 late charge for each monthly installment, if applicable, paid more than 15 days after the due date.

E. Forms

1. Lenders must utilize the appropriate CHFA Subordinate Financing closing documents and forms for the program(s) selected. Most up to date forms may be obtained on CHFA's website.

F. Interest Rate

1. The interest rate applicable to any Loan shall be the interest rate that is shown on the Mortgage Loan Commitment.

G. Title Insurance

1. Title insurance is not required on CHFA subordinate loans

H. Hazard/Flood Insurance

1. For the DAP and TTO or any other CHFA subordinate financing program, the first mortgage required insurance policies must list, as an additional insured, the mortgagee as follows:

The Connecticut Housing Finance Authority, Its successors and/or assigns, as their interest may appear, C/O **Capital For Change, Inc. (C4C)**, 10 Alexander Drive, Wallingford, CT 06492

The following abbreviations are acceptable:

its successors and/or assigns = ISAOA
as their interest may appear = ATIMA

4.5. Closing Requirements

A. Scheduling

Participating Lenders are expected to close Loans in accordance with their established practices. After receipt of a Commitment, the Participating Lender shall make advance arrangements with the borrower to ensure agreement and understanding as to the

amounts of and who will pay closing costs, prepaid items and other escrows, costs and fees. The loan may not be scheduled for closing until the Lender has received a CHFA loan commitment letter. The Participating Lender should advise the borrower, at least twenty-four hours prior to closing, of the total amount of funds which the borrower must have at closing and the form in which such funds are to be made available.

B. Compliance with Laws

1. The Participating Lender shall be familiar with the Real Estate Settlement Procedures Act (RESPA) and other federal or state laws applicable to closing procedures for home mortgage loans, and must comply with their provisions.

2. None of the Mortgage loans are subject to, covered by, or in violation of the Home Ownership and Equity Protection Act of 1994 (HOEPA) and its implementing regulations (Reg. Z) or classified as “high cost”, “covered”, “high risk”, “threshold” or “predatory loans” under any other applicable state, federal or local law, including any predatory or abusive lending laws (or similarly classified loans using different terminology under a law imposing heightened scrutiny or additional legal liability for residential mortgage loans) or in violation of any state law or ordinance comparable to HOEPA or Anti-Predatory Lending Laws.

C. Escrows

1. Escrows for real estate taxes, homeowner’s insurance, flood insurance and mortgage insurance are required on all CHFA loans.

D. Closing CHFA Subordinate loans

All CHFA downpayment/closing cost assistance program loans (CHFA Subordinate Financing) must be closed in the name of the Connecticut Housing Finance Authority, 999 West Street, Rocky Hill, CT, 06067. Loans closed in the name of the Connecticut Housing Finance Authority do not require an assignment.

DAP Loans must be in 2nd lien position (unless prior approval of Authority is granted to be in a 3rd position).

TTO Loans may be in any lien position.

E. Completed Closing Documentation for First Mortgage and Subordinate Financing

1. The Participating Lender shall verify that all Loan closing documents are properly executed and witnessed and that signatures on all documents conform with one another and to those on the original application.
2. Any erasures or corrected errors which appear on the note or mortgage deed must be initialed by all parties who signed the documents.
3. Documents executed pursuant to a power of attorney should be accompanied by a certified copy of the recorded power of attorney.
4. The Participating Lender must verify that the mortgage deed and assignment of mortgage are complete, correct, properly acknowledged and otherwise in recordable form.
5. **Mortgage Electronic Registration System (MERS)** - CHFA is not a member of the Mortgage Electronic Registration System. Assignment of CHFA mortgage loans in MERS is strictly prohibited.
 - a. CHFA First Mortgage Loans that are **AmeriNat or Service Retained (by lender)** must be assigned in the name of the **Connecticut Housing Finance Authority**.
 - b. CHFA Servicer - **Idaho Housing and Finance Association** is a member of MERS, and IHFA First Mortgage loans must be assigned in **MERS to IHFA #1009670**.
 - c. This policy may be amended by CHFA at will to accommodate the sale of mortgage loan pools to FNMA, FHLMC, GNMA or any other CHFA designated authorized entity.
6. The Participating Lender shall confirm that any special CHFA Commitment instructions or conditions have been complied with.

F. Mortgage Insurance and Guaranty Requirements

1. All required mortgage insurance or guaranty forms and certificates shall be properly completed and executed.
2. Evidence shall be obtained indicating that any special terms and conditions stated by the insurer or guarantor on its commitment have been satisfied.
3. The Participating Lender shall promptly notify the mortgage insurer of the assignment of the mortgage:

- a. Proof of the electronic mortgagee change for FHA loans.
- b. The Loan Sale Notice form is required for Conventional loans with Private Mortgage Insurance.
- c. No form or notice is required for VA loans.
- d. USDA Form 3555-11, Guaranteed Rural Housing Lender Record Change.

G. TILA / RESPA Integrated Disclosures (TRID)

The borrower and the seller should receive appropriate final itemized settlement statements of loan terms and closing costs. (TILA RESPA Integrated Disclosure Form). Signed copies of the forms must be obtained.

H. Recording

Following the closing, the mortgage deeds together with any necessary riders and the assignment of mortgage shall be promptly recorded on the land records of the town(s) in which the property is located.

SECTION 5 – ADDITIONAL INFORMATION FOR LENDERS

5.1 Qualification of Participating Lenders

General

A “Participating Lender” is a lending institution that cooperates with CHFA in making funds available under its’ home mortgage program by making and/or servicing mortgage loans that CHFA has agreed to purchase.

A. Lender Capability

To be approved as a Participating Lender to originate mortgage loans, a lending institution must meet the following criteria:

1. Have in Connecticut, a brick-and-mortar facility with the capacity and personnel to originate and close mortgage loans, as determined by the Authority;
2. In the case of a non-depository financial institution, maintain a minimum tangible net worth of \$250,000 or such amount (if higher) as the State of Connecticut Department of Banking may require as a condition of licensing as a mortgage lender or provide a letter of credit, available and otherwise uncommitted line of credit, bond or other financial instrument acceptable to the Authority totaling such amount;
3. Be in compliance with applicable federal and state laws, regulations promulgated thereunder and any licensing requirements by agencies of government having jurisdiction;