



U. S. Department of Housing and Urban Development

Denver Homeownership Center
Program Support Division

1670 Broadway
25th Floor
Denver, Colorado 80202-4801

Phone: 1-800-CALLFHA
Fax: 303-672-5008
Web: www.hud.gov

Secondary Financing

Approval Date: November 20, 2024

Expiration Date: November 19, 2026

Approved for the following areas:

State of Colorado

Colorado Housing Assistance Corporation
Veronica Ware, Interim Executive Director
670 Santa Fe Drive
Denver, CO 80204

Dear Ms. Ware:

The Denver Homeownership Center (DHOC) is pleased to advise you that Colorado Housing Assistance Corporation (CHAC) has been approved as a Nonprofit Instrumentality of Government (NPIOG) to provide secondary financing assistance in conjunction with FHA-insured first mortgages.

Secondary Financing

We have concluded that your secondary financing assistance program, as presented in your nonprofit program application, is in compliance with FHA guidelines. Secondary financing is typically used to assist borrowers with down payment, closing costs or rehabilitation costs. If you anticipate any changes to your loan documents or to your overall program, you must notify this office about those proposed changes prior to their implementation.

1. CHAC may provide secondary financing assistance in conjunction with and FHA-insured first mortgage for the borrower's entire cash investment, **including the borrower's 3.5 percent minimum cash investment requirement.**
2. The maximum insurable mortgage cannot exceed the lesser of: (a) the statutory loan limit for the area, or (b) the applicable loan-to-value limit applied to the Adjusted Value of the property. There is no maximum CLTV for secondary financing loans provided by HUD-approved nonprofits, however, the sum of all liens cannot exceed the borrower's cost to acquire the property.
3. The FHA-insured first mortgage, when combined with any second mortgage or junior lien from your nonprofit agency, may not result in cash back to the borrower except for the refund of earnest money deposits or other borrower costs paid outside of closing.
4. The monthly payment under the insured mortgage and the secondary mortgage, plus other housing expenses and all recurring charges, cannot exceed the borrower's ability to pay.
5. The source, amount, and repayment terms must be disclosed in the mortgage application, and the borrower must acknowledge that he or she understands and agrees to the terms. No costs associated with the secondary financing can be financed into the FHA-insured first mortgage. The secondary financing payments must be included in the total mortgage payment.
6. Any fees charged to the borrower for his/her involvement in your secondary financing assistance program must be reasonable and customary for the area.
7. The borrower's household annual income may not exceed 115% of HUD's determination of area median income when adjusted for family size.
8. If the funds are to be used in conjunction with the rehabilitation of the property, the subsequent lien must meet all the criteria listed above.
9. For properties owned and being sold by your agency, where the buyer will utilize an FHA-insured first mortgage, your nonprofit may provide closing cost or rehabilitation assistance with your secondary lien. The borrower must make the FHA-required 3.5% cash investment from his or her own funds.
10. The second lien may not provide for a balloon payment within 10 years from the date of loan execution.

Please provide a copy of this letter to any lender providing FHA-insured financing in conjunction with your Secondary Financing assistance loans for properties located within your approved geographic area. Your agency's approval has been entered on the DHOC's Roster of Approved Nonprofit Agencies located at the following web address:

<https://entp.hud.gov/idapp/html/f17npdata.cfm>.

Your nonprofit's participation in this program is subject to the guidelines outlined in this letter.

Your approval will expire on **November 19, 2026**. Please submit a request for recertification at least 90 days prior to the expiration of this approval period in accordance with Handbook 4000.1. Your approval is limited to the geographic area shown above.

As a participant in FHA programs, your agency must maintain a working knowledge of all program policies and procedures. These policies and procedures have been compiled in Handbook 4000.1. You should check it regularly to keep apprised of all relevant program information. Agencies that do not adhere to program policies, procedures and limitations may be subject to temporary or permanent removal from the Roster of Approved Nonprofit Agencies noted above.

We appreciate your interest in FHA programs and your commitment to meeting the housing needs of low- and moderate-income homebuyers. If we can be of further assistance, please contact Julie Fisher, Sr Underwriter on behalf of PSD, by phone at (303) 861-3815 or by email at julie.r.fisher@hud.gov.

Sincerely,

Melanie L. Brazil-Aksland
U.S. Department of Housing and Urban Development
Denver Homeownership Center
Director - Program Support Division
1670 Broadway, Denver, CO 80202