

# U. S. Department of Housing and Urban Development



Denver Homeownership Center  
Program Support Division, 8AHHT

1670 Broadway, 21<sup>st</sup> Floor  
Denver, Colorado 80202-4801

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## Secondary Financing

**Approval Date: September 3, 2009**

**Approved for the Following Areas:**

The state of Colorado

Mrs. Michelle Mitchell  
Colorado Housing Assistance Corporation  
760 Santa Fe Drive  
Denver, CO 80204

Dear Ms. Mitchell:

The Denver Homeownership Center is pleased to advise you that Colorado Housing Assistance Corporation has been approved as a Nonprofit Instrumentality of Government to perform the following activity:

**Provide Down Payment, Closing Cost and Rehabilitation Assistance with a Secondary Lien.**

Your agency's approval has been entered on HUD's Approved Nonprofit Roster. The Nonprofit Roster can be found on our website located at [http://www.hud.gov/offices/hsg/sfh/np/np\\_den.pdf](http://www.hud.gov/offices/hsg/sfh/np/np_den.pdf). **Your approval will expire two years from the date on this letter.** Please submit a request for re-certification at least 30 days prior to the end of the approval period.

Mortgagee Letter 02-22 and HUD Handbook 4155.1 REV-5, paragraph 1-13A, state that federal, state and local government agencies, as well as nonprofit agencies considered instrumentalities of government, may provide secondary financing for the borrower's entire cash investment. The second lien itself must be made or held by the eligible governmental body or instrumentality. Neither governmental units nor their established nonprofit instrumentalities may use "agents," including other nonprofits or for-profit enterprises, to make the second lien regardless of the source of those funds. In other words, even if the funds used for the secondary financing came from another source, the subordinate lien must be in the name of the eligible entity, which must be the lien holder. This authority cannot be delegated to another party that is not itself permitted to provide this level of secondary financing. Other entities, however, may be used to service the subordinate lien if regularly scheduled payments are to be made by the mortgagor. Loans secured by secondary mortgages are subject to the conditions described below:

1. The FHA-insured first mortgage, when combined with any second mortgage or other junior liens from government agencies may not result in cash back to the borrower. The sum of all liens cannot exceed 100 percent of the cost to acquire the property. The costs to acquire are the sales price plus allowable borrower-paid closing costs, discount points, prepaid expenses, and in some cases, the costs for property rehabilitation. The costs to acquire may exceed the appraised value of the property if the governmental unit or nonprofit instrumentality of government is supporting or engaging in a neighborhood revitalization effort. The FHA-insured first mortgage cannot exceed the FHA statutory limit for the area where the property is located.
2. The required monthly payment under both the insured mortgage and the second mortgage or lien, plus other housing expenses and all recurring charges, cannot exceed the borrower's reasonable ability to pay.
3. 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.
4. Any fees charged to the borrowers for their involvement in this down payment or closing cost assistance program must be reasonable and customary for the area.
5. Borrower's household annual income may not exceed 115% of area median income when adjusted for family size.
6. If the funds are to be used in conjunction with the rehabilitation of the property, the subsequent lien must meet all of the criteria listed above.

It is your agency's responsibility to be aware of guidelines and procedures relative to participation in FHA programs and to maintain knowledge of any updates relating to these guidelines and procedures. The enclosed list of guidance letters and handbooks will provide a baseline of information. However, future guidance and information will be made available on the HUD Internet web site located at <http://www.hud.gov>. Those organizations that do not adhere to Departmental guidelines and procedures are subject to possible suspension and/or removal from the approved nonprofit listing.

If you have any questions regarding this letter, please call 1-800-CALLFHA (1-800-225-5342) and ask for Mr. Gordon Ferris, Branch Chief, in the Denver Homeownership Center Program Support Division.

Sincerely,



Elaine Roberts  
Director

Attachment