



# Refinancing Your Affordable Home

As the monitoring agent for your affordable housing unit, Citizens' Housing and Planning Association (CHAPA) must review and approve all requests to refinance before you may close on a new loan. The following summarizes the information and requirements to refinance your first mortgage or to obtain a second mortgage.

If you have any questions about the refinance process, you should contact CHAPA at 617-742-0820.

## **PROCESS:**

To begin the refinance process, you should provide a letter requesting approval to refinance or obtain a second mortgage. The letter should state the full address of the property, the amount of the refinance or second mortgage requested, a phone number where you can be reached during the day and an email address if available, the reason for refinancing, the full name of the lending institution and the name and contact number for the loan officer. First time refinance reviews are free of charge; after that, CHAPA will charge a \$100 fee per request. Requests will be process within ten business days.

You will also need to submit the following:

- A copy of your complete loan application to the lending institution.
- A copy of the commitment letter from the lender. The commitment letter, or any written documentation, should provide information on the loan terms, including the interest rate, points, length of loan (15 or 30 years, or adjustable), APR (annual percentage rate), and any other pertinent information.
- A copy of the Good Faith Estimate. The Good Faith Estimate is provided by the lender and should provide information on the estimated closing costs.

CHAPA may also require the following from you, depending on your deed rider and will inform you of which documents are required in your particular situation.

- A copy of the deed rider. The deed rider is the document you signed at closing that describes the resale and refinance provisions for your particular property.
- An appraisal report. A complete copy of an appraisal report for the property, completed by a certified residential appraiser within the last 120 days. The home should be appraised as a market rate property.
- Information on your monthly condominium fee (if any), your town's current tax rate per thousands, and monthly homeowner's insurance amount. You can provide this information in your letter requesting approval to refinance.

If you will "convey" the home from your spouse/co-owner, CHAPA considers this a transfer of the property. The following describes the procedure for this transfer:

- The closing attorney will prepare a new deed in your name alone that CHAPA must review prior to recording. The new deed must specifically reference the current deed rider (listing the book and page numbers of the original deed rider).
- CHAPA will prepare Consent to Refinancing for the closing attorney to record at the Registry of Deeds:

The same process will apply if you are adding or removing your spouse (husband or wife) to the Deed.

Please forward the requested refinance information to CHAPA for approval. If your request is approved, CHAPA will send the Consent to Refinance to the closing attorney for recording.

## **MORTGAGE GUIDELINES**

Your proposed new first or second mortgage should at a minimum meet the following guidelines:

- Be a fully-amortizing fixed-rate mortgage with no prepayment penalty or balloon payment<sup>1</sup>.
- Have a current fair market interest rate. (No more than 2 percentage points above the currently prevailing interest rate).
- For a first mortgage refinance: Have a loan amount no greater than between 95% and 100%<sup>2</sup> of the maximum resale price<sup>3</sup> or the resale price affordable to a household earning at or below 80% of the area median income, whichever is lower.
- For a second mortgage: The combined amount of the first and second mortgages may not exceed 95% of the maximum resale price or the resale price affordable to a household earning at or below 80% of the area median income, whichever is lower.

CHAPA may deny your request to refinance, or require that you consult with a non-profit credit counselor if the benefit of the loan is unclear. Examples of this may include loans with high closing costs, a higher interest rate than you currently hold, or loans that roll in unsecured debt into your mortgage. **Additionally, CHAPA strongly suggests that you compare rates and loan costs from several lenders.**

Refinance requests or questions can be directed to:

Elizabeth Palma-Diaz, CHAPA

18 Tremont Street, Suite 401

Boston, MA 02108

Phone: 617-742-0820, [epalmaidiaz@chapa.org](mailto:epalmaidiaz@chapa.org)

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<sup>1</sup> Refinancing into an adjustable rate mortgage will be considered on a case by case basis if you currently have an adjustable rate mortgage.

<sup>2</sup> Your deed rider may limit the loan-to-value ratio on your mortgage to between 95% and 100% of the Maximum Resale Price.

<sup>3</sup> The Maximum Resale Price is derived by using a formula described in your deed rider.