



CONNECTICUT
HOUSING FINANCE
AUTHORITY

PROCEDURES

Revised as of 4/28/2022

CONNECTICUT HOUSING FINANCE AUTHORITY PROCEDURES
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Revised Sections as of 4/28/2022:

III. Single Family Housing / A. Homebuyer Mortgage Program

III. Single Family Housing / G. Downpayment Assistance Program (DAP)

CONNECTICUT HOUSING FINANCE AUTHORITY PROCEDURES

I

ADMINISTRATION

A. DESCRIPTION OF ORGANIZATION

A-1. Description

The Connecticut Housing Finance Authority (the "Authority") derives its authority primarily from Chapter 134 of the Connecticut General Statutes (the "Act"). The board of directors, their number, their appointing authorities and the selection of a chairperson are designated by statute.

A-2. Meetings

The Authority shall hold regular meetings monthly and may hold special meetings from time to time. Notice of all meetings shall be filed in advance with the office of the secretary of state as provided in section 1-21 of the General Statutes. All regular and special meetings shall, except as the notice of a meeting states otherwise, be held at the offices of the Authority. All regular and special meetings, except executive sessions, shall be open to the public.

A-3. Purposes

The Authority exists for the purpose of alleviating the shortage of housing for low and moderate income families and persons by encouraging and assisting the purchase, development, financing, rehabilitation, and construction of such housing; for the purpose of restoring eligible urban areas in the state by financing mortgage loans for families and persons without regard to income limitations; and for certain other purposes related to housing as more particularly set forth in the Act.

A-4. Executive Director and Staff

The Authority shall appoint an Executive Director, who shall be the chief administrative officer and shall serve at the pleasure of the Board. The Executive Director shall not be a member of the Board. The Executive Director shall hire and supervise the Authority's staff and shall approve all accounts for salaries, all allowable expenses of the Authority, its employees, and consultants, and all expenses incidental to the operation of the Authority.

A-5. Official Address

The Authority maintains its offices and its principal place of business at 999 West Street, Rocky Hill, Connecticut 06067.

A-6. Public Information

The public may inspect the procedures, policy statements, bulletins, guidelines, interpretations, operating manuals, forms, and public records of the Authority at its office in Rocky Hill during regular business hours to the extent permitted by law. Requests for information about the Authority's programs shall be submitted in writing to the Executive Director at the Authority's offices. Requests for review of any Authority action shall be submitted in writing by any person affected to the Executive Director at the Authority's offices.

B. OPERATION OF ORGANIZATION

B-1. Authority Programs

(a) The Authority shall operate a multifamily housing program to provide financing for rental housing of more than four units.

(b) The Authority shall operate a home mortgage program to provide financing for owner-occupied housing of one to four units for families and persons of low and moderate income and for families and persons of all income levels in certain urban areas of the state.

(c) In addition to its continuing programs, the Authority may, pursuant to the powers contained in the Act, undertake pilot and experimental programs and demonstration projects designed to carry out the policies and purposes of the Act. The duration, scope, and cost for any pilot or experimental program shall be limited to what is reasonably necessary to determine whether the pilot or experimental program should be adopted as a continuing program or terminated. The scope and cost for any demonstration project shall be limited to what is reasonably necessary to demonstrate that the type of project promotes the policies and purposes of the Act. Any pilot or experimental program or demonstration project shall be authorized by resolution adopted at a regular or special meeting.

B-2. Authority-Approved Forms

Loan applications, notes, mortgages, and other documents required by the Authority shall be executed on forms approved by the Authority, which forms shall not be changed without the prior written approval of the Authority.

B-3. Fees

The Authority may charge reasonable fees for processing mortgage applications and loans. Participating lenders may charge fees approved by the Authority as being reasonable to cover the costs of processing mortgage applications and loans.

B-4. Federal Preemption

In order to carry out its purpose to provide housing for low and moderate income families with proceeds from tax-exempt bonds, the Authority must comply with federal law and regulations as modified from time to time. Therefore, to the extent that any provisions of federal law and regulations are in conflict with the provisions of these procedures, the provisions of federal law and regulations shall be deemed to be controlling.

B-5. Trust Funds

All moneys received by the Authority, whether as proceeds of the sale of its bonds, as revenues, or otherwise, shall be deemed to be trust funds to be held and applied solely as provided by law. Any officer with whom or any bank or trust company with which such moneys shall be deposited shall act as trustee of such moneys and shall hold and apply them for the public purposes of the Authority

subject to the provisions of any relevant resolution authorizing the sale of revenue bonds or of any relevant trust agreement.

B-6 Non-Discrimination

The Authority shall not engage in any unlawful discriminatory practice or policy in providing financing or other assistance for any housing. Financing for such housing and occupancy therein shall be equally available to all qualified persons, regardless of race, creed, color, national origin, ancestry, sex, gender identity or expression, marital status, families with children, age, lawful source of income, familial status, learning disability or physical or mental disability, sexual orientation or civil union status.

The Authority shall require that contractors or subcontractors engaged in the construction or rehabilitation of housing with construction financing by the Authority provide equal employment opportunity to all persons, regardless of race, color, religious creed, age, marital status, national origin, ancestry, sex, gender identity or expression, intellectual disability, mental disability or physical disability, including, but not limited to, blindness, unless it is shown by such contractor that such disability prevents performance of the work involved, sexual orientation or civil union status and comply with the affirmative action requirements of section I, E-7 entitled "Affirmative Action Policy" of these procedures as amended.

B-7. Reports

Pursuant to section 8-260 of the General Statutes, within the first ninety (90) days of each calendar year, the Authority shall report on its operations for the preceding calendar year to the Governor. The Authority shall make a report to the General Assembly on or before March 15 in each year that the General Assembly meets in general session. The report shall include a summary of the activities of the Authority, a complete operating and financial statement, and recommendations of legislation to promote the public purposes of the Authority. The accounts of the Authority shall be subject to annual audits of the state auditors of public accounts.

B-8. Security for Authority Loans

Whenever the Authority makes or purchases loans to implement its programs, such loans shall be secured as required by the Act, with such additional security as the Authority deems appropriate, including, but not limited to, personal guarantees, letters of credit, bonds, leases, escrow arrangements, pledges, reserves, security interests, mortgage interests, insurance agreements, indemnities, warranties, assignments, or other forms of security.

C. RULE-MAKING FUNCTIONS

C-1. Authority to Adopt Procedures

Statutory authority to adopt, amend or repeal procedures is derived from the Act and Section 1-120 et seq. of the General Statutes.

C-2. Petition for the Adoption, Amendment, or Repeal of Procedures

Petitions by interested persons requesting the adoption, amendment, or repeal of procedures by the Authority must be submitted in writing to the Executive Director at the Authority's offices. Such petitions shall set forth the following: a description of the proposed procedures or amendment or the request for repeal; an explanation of the petitioner's interest in the particular subject matter; and the reasons for the proposal. Within thirty (30) days of the receipt of the petition, the Authority shall either deny the petition in writing, stating reasons for the denial, or initiate adoption, amendment or repeal proceedings.

C-3. Declaratory Rulings

Requests for declaratory rulings should be submitted in writing to the Executive Director at the Authority's offices. Any declaratory rulings shall be adopted by resolution at a regular or special meeting. If the Authority fails to respond to such a request within sixty (60) days, the request shall be deemed denied

D. PURCHASING PROCEDURES

D-1. Introduction

Procedures for purchasing vary depending upon the value of the item or service to be purchased. A bidding process is generally used except as noted below.

D-2. Bidding Process

(a) Bidding requirements for goods and services:

- (1) less than \$50,000: no bids required;
- (2) \$50,000 to \$149,999 quotes required from three or more qualified vendors;
- (3) \$150,000 or more: bids via either newspaper or electronic posting on the internet are required;
- (4) in the case of purchases of a continuing nature, such as coffee, drinking water, or ongoing maintenance of REO properties, the requirements of this sub-section (a) will apply on an estimated annual basis;
- (5) There will be written agreements for goods and services that require bids under this sub-section (a).

(b) The solicitation and selection process and the criteria for selecting the winning bid will be documented. The criteria used may include but is not limited to price, quality, experience, reliability, proximity, delivery time, set-aside participation and the Authority's past experience with the vendor.

(c) Any consulting arrangement for professional services will be solicited through an RFP or contract form that clearly indicates the details of the work to be performed, the time within which the work is to be done, the amount of compensation, the method and timing of payments, and such other facts that will clearly define the basis of the arrangement.

(d) State contract prices will be solicited wherever possible. Any other state agencies or departments served are required to be included among vendors' references.

(e) Three years shall be the limitation on the term of agreements for the purchase of goods and services.

(f) The Authority is not required to accept the lowest priced bid and may waive any irregularities in the bids or bid process in the best interests of the Authority.

D-3. Exceptions

(a) Expenditures for a sole source item; sole source items include such things as vendors that have a unique product, unique previous experience with the Authority, or some other unique capacity to provide quality or expeditious service.

(b) Expenditures of an emergency nature if approved in writing by the Executive Director.

(c) Expenditures of a non-emergency nature in an amount not to exceed \$250,000 provided: that the Executive Director has given notice of the essential terms of the proposed expenditure to all of the members of the Board's Executive Committee by email or delivery; the Board Chair has acknowledged receipt of such notification; and no member of the Executive Committee has objected to the expenditure. If any member of the Executive Committee objects to the proposed expenditure, the Executive Director shall consult with the Board Chair to determine further action by the Board or the Executive Committee.

(d) General office supplies.

(e) Expenditures for the maintenance of REO properties in emergency or time sensitive situations, where a bid process may be detrimental to the Authority's interests.

D-4. Board Approval

The Executive Director may reallocate amounts within the Authority's overall operational budget of up to \$100,000. Any allocation is further limited to no more than 50% of any one budget line item. Any reallocations above these limitations will require prior Board approval. All budget reallocations made under this authority shall be reported to the Board at its next Board meeting.

Board approval is required for expenditures for any non-budgeted expenditure in excess of \$5,000.

D-5. Equal Employment Opportunity Compliance

(a) The Authority requires all vendors to be equal opportunity employers, in accordance with section 4(a)-60 and 4(a)-60(a) of the Connecticut General Statutes.

(b) Information on goods or services purchased is quantified to ensure that the Authority complies with section 4(a)-60 and 4(a)-60(a) of the Connecticut General Statutes. A quarterly report is prepared for review by the Authority.

D-6. Large State Contracts

(a) The Authority will comply with the requirements of C.G.S., sections 4-250 to 4-252 regarding large contracts: gift affidavits and certifications, as amended.

E. PERSONNEL PROCEDURES

E-1. Introduction

The procedures for hiring, dismissing, promoting and compensating employees are set forth herein. Also included is the affirmative action policy.

E-2. Hiring, Promoting and Dismissing

The Executive Director is the chief administrative officer and responsible for the staffing of the Authority in a manner consistent with the Annual Budget and Plan of Operations adopted by the Authority and all other plans and policies of the Authority.

The Executive Director is authorized by the Board of Directors to take any and all action with respect to employment, salaries and other compensation, organization and duties of employees.

The Executive Director may consult the Board of Directors of all hirings which affect positions at a senior management level prior to such actions becoming effective, provided, hiring in the position of Internal Auditor shall require the approval of the Board of Directors.

All authorized new or vacant position postings shall be approved by the Executive Director. If approved by the Executive Director, the position is then advertised. Position vacancies are circulated within the Authority. The process is monitored throughout for adherence to the Authority's Affirmative Action Policy.

E-3. Performance Management Process

The Authority has a performance management process. The objectives of the process are to:

- (a) provide clear communication between supervisor and employee;
- (b) identify employee's work objectives and expected results;
- (c) identify the employee's performance strengths and weaknesses;
- (d) assess the needs for training, and
- (e) aid in decisions about future work assignments.

The process financially rewards employees based on their performance and contributions to their departments and the Authority.

Performance assessments are conducted twice during an employee's six month introductory period. Once an employee has completed an introductory employment period of six months, formal written performance assessments are conducted on an annual basis, and performance is reviewed throughout the year as appropriate. An overall performance assessment of "meets expectations" or better is required for an employee to be considered for a merit compensation award.

All performance assessments are reviewed by the assigned supervisor, manager and Director of Business Services.

E-4. Progressive Discipline

The Authority's philosophy is to deal constructively with an employee's work performance, conduct and behavior on the job through a progressive discipline process. The steps in the progressive discipline process depending on the severity of the circumstances may include: (1) constructive consultation (with written documentation), (2) written warning, (3) suspension, (4) dismissal. Examples of the types of offenses which result in disciplinary action are given in the Authority's Employees' Handbook. However, the supervisor, in consultation with the department Vice President and the Director of Business Services shall determine the severity of the offense and steps to be applied. Prior approval of the Executive Director must be obtained before suspension or dismissal of an employee.

E-5. Appeal Procedure

Any employee who has completed an introductory employment period of six months may appeal a supervisory action taken under the progressive discipline process, that he or she feels is unwarranted or unfair. The appeal procedure, as detailed in the Employees' Handbook shall include the requirement that the appeal be in writing, and that the supervisor give a written response. If the appeal is from a constructive consultation or written warning, the action shall be reviewed by the Executive Director or designee. In those cases, the decision of the Executive Director is final. If an employee wishes to appeal a suspension decision, the final appeal shall be to a committee comprised of three individuals, the Director of Business Services, the Executive Director, and a Vice President not from the employee's department.

E-6. Compensation

Payment of Salary - Salaries are paid by check every other Thursday. Payment received on any pay day is for work during the pay period which ended on a Thursday two weeks prior. Thus, a new employee can expect to receive his or her first paycheck up to four weeks after the first day he or she commenced working for the Authority.

Overtime and Overtime Pay - Under the federal Fair Labor Standards Act (the "Act"), employees who are covered by the Act shall be paid time and one-half for all hours worked in excess of 40 hours per week. Each position at the Authority is determined to be exempt or non-exempt from the Act by the Human Resources Officer in consultation with the appropriate Vice President. Those employees who are in positions which are non-exempt will be reimbursed for overtime following written approval by the supervisor (email will suffice as written approval).

Merit Compensation - On an annual basis, the Executive Director will recommend for approval of the Board of Directors an allocation of funds for merit compensation increases for the staff. A maximum percentage salary increase will be set for those employees with exceptional performance evaluations. Employees shall be compensated according to job performance as determined through the performance management process.

Connecticut State Employees' Retirement Plan - Employees are provided retirement benefits under the Connecticut State Employee's Retirement System. Each employee must join the plan. See the plan brochure for complete details concerning the plan.

Medical - There is broad coverage for medical benefits under a number of different insurance contracts. To determine the details of specific coverages, the plan brochures should be consulted.

Group Life Insurance - Upon completion of six months' employment, employees may apply for coverage under the State of Connecticut Group Life Insurance Plan. The amount of insurance available is in accordance with the schedule provided in the plan brochure. If this coverage is initially declined by the employee, it is necessary to provide evidence of insurability if any coverage is subsequently desired.

The Authority provides additional group coverage at no cost to the employee. The amount of coverage is in accordance with the plan brochure.

Deferred Compensation Plan - This plan provides for the tax deferral of income. Income is taxable at the time of receipt of the benefits upon retirement or other withdrawal from the plan. The plan has been approved by the Internal Revenue Service.

Severance Policy - The Authority shall offer severance benefits in the following manner: (1) in the event of job layoffs or job elimination, the Executive Director shall negotiate severance agreements based on the employee's length of service, up to a maximum of six months; (2) a severance agreement for the Executive Director shall be negotiated between the Executive Director and the Board of Directors. Severance payments may be payable over regular pay period intervals or in lump sum.

E-7. Affirmative Action Policy

The Board of Directors of the Authority has adopted an Affirmative Action and Equal Employment Opportunity Policy. The policy is updated by the Board on an ongoing basis, and it is on file at the office of the Vice President - Administration. All employees are invited to review its contents; furthermore, all employees shall adhere to and further the policy.

The Authority recognizes both the purpose and need for a strong Affirmative Action Program to overcome the effects of past practices, policies or barriers to Equal Employment Opportunity. The Authority is committed to achieving the full and fair participation of women, blacks, hispanics and any other protected groups found to be underutilized in the workforce or affected by policies or practices having an adverse impact. The Authority will follow a policy of Equal Employment Opportunity throughout its employment process including, but not limited to, recruitment, hiring, training, upgrading and promotions, benefits, compensation, discipline, layoffs, and terminations. In addition, the Authority pledges that all the services and programs provided will be done in a fair and impartial manner.

The Authority will enforce this plan by the application of Connecticut General Statutes Section 46a-60(a)(1). Affirmative Action for equal opportunity is also mandated by federal constitutional provisions, laws, regulations, guidelines and executive orders that prohibit or outlaw discrimination and identifies each class of persons protected thereunder, which the Authority will abide by.

The Authority does, and will continue to, take aggressive affirmative action to make sure that applicants and employees are treated fairly and in accordance with law. The Authority recruits qualified or qualifiable candidates including protected class persons for positions that become vacant

within the Authority. The Authority shall use as recruitment sources: State Personnel Office, majority and minority newspapers, all other avenues deemed necessary (e.g., community contact agencies).

The Authority recognizes the hiring difficulties experienced by the physically disabled and by many older persons and sets program goals to achieve the full and fair utilization of such persons in the workforce.

All appointments to positions are made after evaluating the established goals of the Affirmative Action Plan. The Director of Business Services counsels new employees on Authority Policy and the Affirmative Action Plan and employee rights under the Plan. The Director of Business Services also counsels employees regarding promotion opportunities, upward mobility and grievance procedure at various times during their employment. Upon termination of employment with the Authority, the Director of Business Services, Personnel/Affirmative Action conducts an exit interview with the employee.

Administration

Last Revised: 10/29/2015

II
RENTAL HOUSING

A. MULTIFAMILY RENTAL HOUSING PROGRAM

A-1. Housing Affordability and Applications

In furtherance of its mission to alleviate the shortage of affordable housing for low and moderate income families and persons in Connecticut, the Authority responds to all inquiries regarding multifamily rental housing developments.

(a) Within available resources depending on funding sources and to the extent practicable, multifamily rental housing developments should serve a mix of incomes, inclusive of households with incomes at or less than sixty percent (60%), fifty percent (50%) and thirty percent (30%) of the area median income (“AMI”) adjusted for family size, as determined by the U. S. Department of Housing and Urban Development (“HUD”), though all development types shall be considered

(b) A CHFA-DOH Consolidated Application (the “application”), in its most recent form, shall be completed and submitted by an applicant seeking financing. Each applicant’s application will be screened to determine if it conforms with and satisfies the following:

- (1) State of Connecticut and Authority policy objectives;
- (2) preliminary threshold requirements established by the Authority, subject to further review;
- (3) Authority-established eligibility standards set for all applicants; and
- (4) demonstrated need and/or demand.

(c) Upon the Authority’s request, clarification of application submissions must be provided to the Authority’s satisfaction before a financing proposal may be considered for approval.

(d) The Authority will publish a fee schedule of costs associated with application and financing. Other fees may include the commissioning of appraisals, market studies and environmental assessments as necessary.

(e) The Authority may require physical access to the proposed development site in determining the feasibility of the financing request.

A-2. Qualified Development Team

(a) As required by the Authority, each member of the development team shall be licensed and/or registered to do business in the state of Connecticut.

(b) When determining whether a development team is qualified, the team's track record, financial capacity, and relevant experience in multifamily housing finance, development,

construction, management, and resident services will be taken into account. Development team members may be asked to report past experience with affordable housing programs, including financial performance of individual developments, any removals as general partner, defaults under project documents, failures to receive IRS Form 8609, or project foreclosures.

(c) A proposed change/substitution of any member of the Qualified Development Team previously accepted by the Authority shall be submitted in writing by the applicant/mortgagor; such change/substitution will require the prior written consent of the Authority.

(d) All applicants shall sign an "Identity of Interest" statement disclosing relationships among members of the proposed development team. The statement shall attest to the relationship, if any, of all persons and/or entities benefitting financially from the multifamily rental housing development. When an identity of interest exists, the Authority reserves the right to evaluate and accept or reject the cost reasonableness of that service and/or work to be performed.

A-3. Credit Evaluation

(a) The Authority may conduct a credit investigation to ascertain and ensure that the proposed development team possesses sufficient financial capacity and is capable of completing and operating the proposed multifamily rental housing development. The Authority shall determine the extent of such credit investigation.

(b) An applicant shall furnish a listing of any general partners, managing members or principal shareholders of the developer/sponsor entity and the proposed owner/mortgagor entity, the general contractor, and property management agent, as required by the Authority.

A-4. Affirmative Action

Each mortgagor and its contractors, subcontractors, and management agents shall agree to comply with federal and state executive orders, statutes, regulations, and other requirements of law relating to affirmative action and equal employment opportunity.

A-5. Return on Equity

(a) The mortgagor's equity in a multifamily rental housing development shall be as defined in Section 8-253a(5), as may be amended, of the Connecticut General Statutes, incorporating project costs certified by the mortgagor and recognized by the Authority, whether or not such costs have been paid in cash or in a form other than cash, and the total amount of the mortgage loans and/or grant proceeds.

(b) A loan to a mortgagor, having as one of its purposes the construction or rehabilitation of housing, shall be subject to an agreement between the Authority and the mortgagor limiting the mortgagor and its principals/stockholders to such return on the mortgagor's equity as may be established or permitted by the Authority. The non-cumulative cash return on equity shall be determined at the Authority's discretion and to the extent economically feasible.

A-6. Related Facilities

The Authority may provide financing for related facilities in accordance with Section 8-243(d) as may be amended of the Connecticut General Statutes, which defines "related facilities" as commercial, office, health, welfare, administrative, recreational, community, and service facilities incidental and pertinent to multifamily rental housing as determined by the Authority. If any related facility is to be leased, then the Authority shall have the right to disapprove any proposed use, tenant, or provision of the lease.

A-7. Market Study

(a) The Authority requires an independent, professional market study on all multifamily rental housing developments being considered for CHFA mortgage financing and/or issuance of Low-Income Housing Tax Credits (LIHTCs). If a development being considered for financing has a project-based rental assistance commitment or contract in place for the entire development, then the Authority may determine that the market analysis required as part of the prospective appraisal valuation required under Sec. A-8 will be sufficient so as to not require a separate market study.

(b) If the Authority determines that a separate market study is required, then the Authority shall commission a market analysis from an approved list of market analysts developed and maintained by the Authority. Unless otherwise determined by the Authority, the applicant shall make full payment for the market study(ies), in advance, which payment is nonrefundable should the applicant's financing proposal not be approved by the Authority. The market study shall be prepared according to industry standards and within contract terms established by the Authority.

(c) For developments seeking an issuance of LIHTC but no financing from CHFA, CHFA reserves the right to accept a market analysis prepared to CHFA's standards by an acceptable, alternative analyst not on CHFA's approved list.

(d) The Authority reserves the right to require current market information prior to approval of its financing.

A-8. Appraisal

(a) Independent, professional "as-is" and "to-be-developed" appraisals are required for all multifamily rental housing developments being considered for mortgage financing by the Authority. Also, the Authority may require appraisals when financing with non-amortizing CHFA debt, debt restructures or other special situations.

(b) The Authority shall commission an appraisal from an approved list of appraisers developed and maintained by the Authority. Unless otherwise determined by the Authority, the applicant shall make full payment for the appraisal(s), in advance, which payment is nonrefundable should the applicant's financing proposal not be approved by the Authority. The appraisal shall be prepared according to industry standards and within contract terms established by the Authority. The Authority may accept another lender's appraisal in certain circumstances such as LIHTC transactions that are not financed with CHFA.

(c) The Authority reserves the right to exercise discretion to require an appraisal and/or modify its appraisal requirements as may be practical given the circumstances of each transaction.

(d) The Authority reserves the right to require additional appraisals or to commission review appraisals at the applicant's expense.

A-9. Underwriting Standards

The Authority shall establish loan underwriting standards in the following areas and may review and revise the standards as market and economic conditions dictate.

(1) Debt Service Coverage ("DSC") - The minimum coverage for all uninsured multifamily rental housing loans is 1.15. For USDA properties and FHA-insured loans, minimum coverage shall be 1.10 or the USDA/FHA standard, whichever is higher. For programs or financing that fund housing development for the homeless, special needs populations, restructures or if there is no permanent amortizing debt, the DSC may be reduced at the Authority's discretion.

(2) Determination of Value -

(a) The "as-is" market value established in the Authority-commissioned independent appraisal shall be one, but not necessarily the only, consideration used to determine the value of the subject property in relation to its proposed acquisition cost.

(b) The "to-be-developed" prospective value established in the Authority-commissioned independent appraisal shall be considered in determining the potential underwriting risk to the Authority during the term of its financing.

(3) Loan to Value ("LTV") - The LTV may not exceed eighty percent (80%) of the appraised prospective value or the Authority's estimated total lending cost as recognized by the Authority. As determined by the Authority in its discretion, (i) the LTV may be increased to further public and/or Authority objectives, and (ii) for applicants with not-for-profit sponsors, financing may occur at a higher LTV percentage. For the purpose of this section, a loan is defined as that which is self-amortizing. In transactions with federal HUD Housing Finance Agency Risk Sharing mortgage insurance where the Authority is assuming less than fifty percent (50%) of the risk (Level II Risk), HUD standards for Loan-to-Cost, DSC, and underwritten occupancy limits will prevail, subject to applicable law. The Authority may, in its discretion, exempt applicants/mortgagors with not-for-profit developers/sponsors, regardless of the number of apartments in the multifamily rental housing development, from and/or modify the requirements of this subsection.

(4) Total Development Cost ("TDC") - The total multifamily rental housing development cost shall be based on the Authority's analysis, including but not limited to, time, construction and acquisition costs, reserve and soft costs, extraordinary features, location, public purpose and type of sponsor/developer.

For construction costs, the Authority may select and commission an independent professional cost analysis. The applicant shall make full payment for the independent cost analysis, in advance, which payment is nonrefundable should the applicant's financing proposal not be approved by the Authority.

(5) Vacancy Assumptions - Underwriting vacancy rate assumptions will be based on the percentage of the AMI of the intended resident population and/or market conditions as of the first stabilized year of operations as determined by the Authority.

(6) Income Trends - To determine the maximum amount of a mortgage loan, income shall be forecasted on an annual basis throughout the term of the proposed mortgage loan, and other documentation and indices may be considered.

(7) Expense Trends - To determine the maximum amount of a mortgage loan, expenses shall be forecasted on an annual basis throughout the term of the proposed mortgage loan and other documentation and indices may be considered. Written documentation approved by the municipality evidencing real estate tax abatements, deferments, or payments in lieu of tax agreements will be required for the Authority to include less than full taxes in its underwriting assumptions. Forecasted annual growth rates for expenses, as specified by the Authority, shall be greater than forecasted annual growth rates for the proposed income sources.

(8) Maximum Loan Amount - The maximum amount of a mortgage loan for a multifamily rental housing development is equal to the LEAST of the following based on market, location and other conditions:

- (a) an amount based on applicable statutory limits;
- (b) an amount based on the LTV; or
- (c) an amount based on the DSC.

(9) Rent Limitations - To the extent economically feasible, maximum rents shall be set at levels affordable to the targeted resident income group(s) to be served as determined by applicable state and federal rent limitations, market analysis and the need to serve low- and moderate-income residents.

(10) Reserve for Replacement - A Reserve for Replacement Account shall be established for each multifamily rental housing development which account, plus interest or other earnings thereon, shall at all times be under the sole control of the Authority, unless otherwise determined by the Authority. In the Authority's discretion, contributions to the Replacement Reserve Account may consist of:

(a) annual per unit amounts, which amounts may be increased periodically at rates or in amounts solely determined by the Authority, or

(b) scheduled annual amounts based upon an Authority-approved Capital Needs Assessment (CNA) describing estimated annual capital replacement needs for the multifamily rental housing development for a period as determined by the Authority. The CNA shall be provided by a qualified architect, engineer or other professional approved by the Authority. Unless otherwise determined by the Authority, should the Authority elect to commission the CNA, its cost shall be prepaid in full by the applicant which cost shall be nonrefundable should the applicant's financing proposal not be approved by the Authority.

(11) Operating Deficit Reserve - The Authority may require a mortgagor to fund an operating deficit reserve in an amount determined and held by the Authority. Such reserve shall be available for the full term of the Authority's mortgage loan to fund operating deficits, real estate taxes, debt service

coverage deficiencies and such other costs as solely determined by the Authority to ensure economic viability during the term of its mortgage loan. Unless otherwise determined by the Authority, such reserve will be established as of initial closing for Authority financing under terms and conditions of an escrow and disbursement agreement executed between the mortgagor and the Authority. Such deposit shall be in cash or in the form of an irrevocable and unconditional Letter of Credit (LOC) in form and content acceptable to the Authority. The deposit required for the operating deficit reserve may be included within the development budget.

(12) Type of Financing - Both recourse and non-recourse financing may be provided, as determined by the Authority. Non-recourse mortgage loans shall become recourse if the mortgagor defaults under certain circumstances, including, but not limited to, utilizing the multifamily rental housing development's income and assets for other than operating expenses, debt service or capital improvements permitted under the Authority's loan documents.

(13) Mortgage Increase - The Authority may consider an increase in the amount of its mortgage loan if such increase is due to unforeseen and unavoidable circumstances beyond the mortgagor's control, or to correct a government-mandated condition or to further Authority or other public policy objectives. No mortgage loan may be increased without the receipt and acceptance of an updated and credible financing plan re-underwritten by the Authority to the Authority's current standards and criteria.

(14) Developer Allowance/Fee ("DAF") - To the extent economically feasible, the DAF will be comprised of two parts: a "Deferred DAF Portion" and a paid portion. The Deferred DAF Portion is the portion of the total approved DAF amount to be pledged back by the mortgagor to complete the multifamily rental housing development, as may be permitted by the Authority and as further described in subsection (15) below. The paid portion of the DAF will be calculated on the sliding scale as shown below, or as determined by the Authority:

- (a) 15.0% of the first \$5 Million of total construction and soft costs, plus
- (b) 12.5% of the next \$5 Million of total construction and soft costs, plus
- (c) 10.0% of the next \$5 Million of total construction and soft costs, plus
- (d) 7.5% of the next \$5 Million of total construction and soft costs, plus
- (e) 5.0% of the next \$5 Million of total construction and soft costs, plus
- (f) 2.5% of total construction and soft costs over \$25 Million

Notwithstanding the foregoing, the DAF (including the Deferred DAF Portion) shall not exceed 15% of the Total Development Cost, as identified in subsection (4) above without the DAF. For developments involving the preservation of expiring use developments or recapitalization of existing affordable housing, the paid portion of the DAF shall be the sum of 5% of the Acquisition Price of the development (less reserves and any seller financing) and 10% of the Total Construction and Soft Costs to a maximum of \$2.5 million, as determined by the Authority.

Notwithstanding anything herein to the contrary, developments determined by the Authority to not be utilizing scarce public resources shall be entitled to a DAF equal to 15% of the Total Development Costs identified in subsection (4) above.

(15) Deferred Developer Allowance/Fee (“Deferred DAF Portion”) - The Authority may permit a portion of the total approved DAF amount to be pledged back by the mortgagor to complete the multifamily rental housing development. For the purposes of assessing initial application feasibility, the pledged back or deferred amount should not exceed the lesser of:

(a) fifty percent (50%) of the Authority-approved total paid DAF as of initial closing, or

(b) the amount that may be fully recovered by the mortgagor, without interest, from Authority-approved annual distributions during the first fifteen (15) years of operations.

The final Deferred DAF Portion shall be sized at the Authority’s discretion and approval and may exceed these limitations with the consent of the investor’s limited partner in the transaction.

(16) Loan Term and Rate - The permanent loan term may be up to forty (40) years, with prepayment subject to the terms of these Procedures and the Connecticut General Statutes. The interest rate may be fixed or variable, as determined by the Authority. Subject to statutory requirements, debt subordinated to Authority financing may be allowed on a case-by-case basis and may be in the form of an unsecured or secured loan, as determined and approved by the Authority.

(17) Mortgage Insurance - In the Authority's discretion, mortgage insurance or other forms of credit enhancement may be required.

(18) Consultants - Should an applicant/mortgagor elect to retain a housing development consultant, resident training consultant, or other such consulting services, then the fees of such consultants shall be excluded from the development budget. At the option of the applicant/ mortgagor, such consultants may be compensated from the Authority-approved DAF.

(19) General Contractor Overhead and Profit and General Requirements –

(a) Overhead should not exceed two percent (2%) and profit should not exceed six percent (6%) of the total costs for site and building improvements in the construction contract; i.e., Divisions 2 through 16 of the construction contract documents.

(b) General Requirements, exclusive of bond premium costs, if applicable, should not exceed six percent (6%) of the total costs for site and building improvements in the construction contract; i.e., Divisions 2 through 16 of the construction contract documents.

(c) At the Authority’s discretion, the maximum percentage amounts paid to a general contractor for overhead and profit may exceed eight percent (8%) and for general requirements may exceed six percent (6%) provided, however, that the transaction is not subject to HUD/FHA limitations due to financing, a HUD Subsidy Layering Review, FHA Risk-Share insurance, etc. and the total amount paid to a general contractor for overhead, profit and general requirements does not exceed a cumulative total of fourteen percent (14%).

(d) Fees may be further limited for related parties or identities of interest.

(20) Syndication Costs - The costs of syndication shall not exceed an amount acceptable to the Authority. Syndication costs include all direct and indirect costs incurred in securing syndication proceeds; e.g., any fee paid to the syndicator, as well as the mortgagor's legal costs associated with securing syndication proceeds.

(21) Syndication Proceeds or Bridge Loan Financing - Funds derived from the syndication of federal Low-Income Housing Tax Credits and/or federal and state Historic Tax Credits must be available either from the syndication proceeds or bridge loan financing in an amount, with terms, and in a manner satisfactory to the Authority. If there is an identity of interest between the lender and either the syndicator, the mortgagor, or the developer, then the rate must be a commercially reasonable rate as determined by the Authority. The interest cost of financing the DAF shall not be recognized, provided that the Authority may grant an exception in the case of a DAF for a mortgagor with a not-for-profit sponsor.

(22) Restrictive Covenant - All multifamily rental housing developments shall have a restrictive covenant identifying the term and structure of affordability limitations.

(23) Affirmative Fair Housing Marketing - All mortgagors shall execute the Authority's form of an affirmative fair housing marketing plan, which may be included as part of the Authority's management agreement.

(24) Small, Minority and Women-Owned Businesses - The mortgagor and general contractor for all developments obtaining Authority-provided financing shall execute minority hiring, affirmative action and non-discrimination and equal employment opportunity documents, as required by the Authority.

(25) Additional Underwriting Considerations - Financing proposals considered undesirable by the Authority will not be approved. Characteristics of undesirable financing proposals include, but are not limited to, the following:

(a) those submitted by applicants with non-performing loans or obligations with the Authority or any governmental agency;

(b) those submitted by applicants that have misused the Authority or any governmental loan and/or grant proceeds;

(c) those submitted by entities whose principals are principals of other entities which are either currently delinquent on Authority or any governmental loans or obligations, or have a history of monetary delinquency or default of any nature;

(d) not in the public interest;

(e) applications for Authority bridge loan financing not associated with other Authority financing;

(f) applications for the sole purpose of making interest payments to the Authority, any governmental agency or another lender;

- (g) applications for multifamily rental housing developments that lack sufficient financial commitments, acceptable to the Authority, to maintain a balanced sources and uses of funds; and
- (h) collateralized with security of unproven or questionable marketability.

If the Authority determines that any of the above underwriting standards are not satisfied and/or the multifamily rental housing development is financially infeasible, then the applicant/mortgagor will be notified in writing and the processing of the application will cease.

A-10. Approval and Issuance of a Loan Commitment

Upon recommendation of Authority staff, the proposal for mortgage financing is submitted to the Authority's Mortgage Committee of the Board of Directors for its consideration. Upon consideration by the Mortgage Committee, a financing proposal may be referred to the Board of Directors for its consideration. If a financing resolution is adopted by the Board of Directors, then:

- (a) the loan commitment is issued and forwarded to the applicant; and
- (b) the applicant must sign and return the loan commitment with the noted requirements and fee within the stated time.

The terms and conditions upon which the Authority will make its mortgage loan shall be contained in the loan commitment. The loan commitment shall be effective for a period set forth therein. Should the Authority's Board of Directors not adopt a financing resolution for the multifamily rental housing development, the applicant shall be notified and processing of the application will cease.

A-11. Initial Closing

Prior to the advance of any proceeds to the mortgagor from the mortgage loan, the Authority shall require that the mortgagor deliver to the Authority the fully executed mortgage deed, note, and other documents required by the loan commitment or deemed by the Authority to be necessary or appropriate to assure that the multifamily rental housing development shall be completed and operated in accordance with the Authority's requirements. The Authority shall require that the mortgagor deliver to the Authority the following in a form and upon terms acceptable to and approved by the Authority, in its sole and absolute discretion.

(a) Construction Contract - A construction contract with the general contractor or construction manager acceptable to the Authority, including not less than a one-year warranty for construction defects.

(b) Assurance of Completion - A mortgagor or its general contractor shall provide a 100% Payment and 100% Performance Bond; or LOC acceptable to the Authority; or other security including, without limitation, cash escrow arrangements, satisfactory to the Authority to ensure completion of the multifamily rental housing development. If a LOC is provided, the issuer must be licensed in the state of Connecticut and have at the time of issuance, replacement, substitution or renewal, a rating acceptable to the Authority in its discretion. Except as otherwise agreed by the Authority, the LOC shall be unconditional, irrevocable and transferable by the Authority at no cost to

the Authority; name the Authority as beneficiary; permit multiple draws; and be governed by Connecticut law and subject to Uniform Customs and Practices for Documentary Credits.

(c) Governmental Approvals - All building and other permits, licenses, waivers, variances, and approvals necessary for the construction or rehabilitation of the multifamily rental housing development.

(d) Title Policy - A mortgagee's title policy in the amount of the mortgage loan, with a company acceptable to the Authority, containing endorsements as may be required by the Authority, and no exceptions other than those approved by the Authority.

(e) Property Survey - A currently dated Property Survey within the standards of Class A-2 in accordance with the current Minimum Standard Detail Requirements for ALTA/ACSM Land Title Surveys, jointly established and adopted by ALTA/NSPS, applicable sections of the Regulations of Connecticut State Agencies, and "Standards for Surveys and Maps for the State of Connecticut" as adopted by the Connecticut Association of Land Surveyors, Inc.. Surveys shall be certified to the Authority and indicate all existing buildings and improvements, lot and building lines, encroachments, watercourses, wetlands, significant topographical features, easements, zoning classification, and other pertinent information required by the Authority.

(f) Architect Agreement - An executed standard AIA Owner/Architect Agreement with standard supplemental conditions, with the design architect and supervising architect, together with evidence of professional liability insurance coverage in amounts established by the Authority for each multifamily rental housing development.

(g) Management Agreement - An executed management agreement in form provided by the Authority. A management plan, marketing plan and tenant selection plan shall be submitted by an applicant/mortgagor and accepted by the Authority prior to execution of the management agreement.

(h) Construction Costs - A complete cost breakdown prepared and signed by the general contractor and mortgagor and from such other contractors and material suppliers as the Authority may require.

(i) Financial Exhibits - The Development Budget (all uses of funds), and other exhibits as the Authority may require for completion of the multifamily rental housing development shall be prepared and signed by the mortgagor and accepted and signed by the Authority.

(j) Construction Schedule - Construction Progress Schedule and Draw Schedule prepared and signed by the general contractor, and accepted by the Authority.

(k) Opinion Letters - The mortgagor and/or other parties as the Authority may require, shall submit an opinion prepared by its attorney for review and acceptance by the Authority.

(l) Environmental Assessments - A Phase I environmental site assessment in form and in content satisfactory to the Authority and issued by an entity licensed in Connecticut. In the event the Authority determines it necessary or appropriate, a mortgagor shall obtain a Phase II or any other additional environmental reports in form and content satisfactory to the Authority and issued by an entity licensed in Connecticut.

(m) Insurance - Insurance policies providing for such coverage, terms, deductibles, insured parties, and loss payees as the Authority may require.

(n) Utilities - Assurance of the availability and sufficiency of utilities.

(o) Declaration of Restrictive Covenants - Agreement to expend not less than such percentage of the proceeds of the mortgage loan for the acquisition or reconstruction of residential real property as may be required by the Authority to ensure that any interest on bonds, bond anticipation notes, and other obligations issued by the Authority remains exempt from taxation.

(p) Building Loan Agreement - Agreement that advances of mortgage proceeds shall be made no more frequently than once per month without prior written approval of the Authority.

(q) Evidence of Subsidy(ies), Grants, Abatements, or Other Assistance - Documents satisfactory to the Authority evidencing the commitment of any federal, state, or local government, or agency thereof, to provide any insurance, subsidy, grant, tax abatement or other assistance for the benefit of the proposed multifamily rental housing development.

(r) Others - Any other conditions contained in the loan commitment letter.

A-12. Construction Period

(a) The Authority shall retain a third-party, independent field observer at the mortgagor's expense who shall monitor construction progress and attend project job meetings, on a schedule to be determined by the Authority. The cost of the field observer is a mortgagable expense and may be included in the Development Budget.

(b) The Authority will process and fund one advance request per month, unless otherwise agreed to by the Authority. Mortgage loan proceeds shall be advanced and disbursed to the mortgagor as construction/ renovation progresses, the time and amount of each advance to be at the sole

discretion and upon the estimation of the Authority in relation to the percentage of the work in place, subject to conditions described by the Authority.

A-13. Substantial Completion/Permission to Occupy

(a) The mortgagor shall notify the Authority in writing when the mortgagor's supervising architect determines that substantial completion of the multifamily rental housing development has been achieved.

(b) The mortgagor shall prepare permission to occupy form(s) provided by the Authority and submit such form(s) to the Authority together with the supervising architect's punch list and a copy of the certificate of occupancy. Based upon the date of the certificate of occupancy and recommendations of the Authority's staff, the Authority shall establish a permission to occupy date and advise the mortgagor of such date. Depending upon the multifamily rental housing development's configuration and construction schedule, more than one permission to occupy form may be required and multiple permission to occupy dates may be established.

A-14. Cost Certification

The mortgagor and its general contractor shall have cost certifications audited by their respective certified public accountants. The mortgagor shall submit its and the general contractor's cost certifications to the Authority for review and acceptance in accordance with the timeframe set forth in the guideline. Upon acceptance by the Authority of the mortgagor's and general contractor's cost certifications, the Authority shall prepare a Maximum Mortgage Letter to be executed by the mortgagor and the Authority.

A-15. Final Closing

Prior to scheduling a final closing, a mortgagor shall submit all documentation required by the Authority. When all such documentation has been accepted, the Authority shall schedule a final closing, which may take place by correspondence or at the offices of the Authority.

A-16. Post-Final Closing

Items to be completed subsequent to final closing shall be completed by a mortgagor by the date recited in an escrow agreement for such purpose executed as of final closing. A supplemental cost certification by both a mortgagor and general contractor shall be submitted as required by the Authority.

A-17. Waivers, Exemptions and Modifications

(a) The Authority's Board of Directors may authorize waivers, exemptions and modifications for any requirements that are not mandated by statute or other law. Requests for waivers, exemptions and modifications from applicant/mortgagors shall be in writing. Such waivers, exemptions and modifications may be granted for the following reasons, including, but not limited to:

- (1) service to very low-income households;
- (2) minimal risk to the Authority;
- (3) conflicting public policies;
- (4) acceptable financial capacity and proven track record; and/or
- (5) other compelling reasons at the discretion of the Authority's Board of Directors.

Additionally, approval for such requests may only be granted if the Authority concludes there is sufficient evidence that:

- (6) the enforcement of such provisions provide for exceptional difficulty or unusual hardship not caused by the applicant/mortgagor;
- (7) the benefit to be gained by approving such request clearly outweighs the detriment which will result from enforcement of the requirement;

(8) approval of such request is in harmony with conserving public health, safety and welfare, and

(9) approval of such request is in the best interest of the State and/or the Authority.

(b) The Authority's Executive Director may, from time to time, vary Multifamily Rental Housing Program requirements set forth in this Section II(A): (i) in response to federal and/or state legislation/regulations or special program and/or financing initiatives as may be adopted by the Authority's Board of Directors, and (ii) as may be necessary to effectuate the Authority's administration of the federal low-income housing tax credit program and the purposes and requirements set forth in Section IV(A) of the Procedures entitled "Low Income Housing Tax Credit."

(c) Wherever in Section II. A of these Procedures reference is made to the Authority exercising discretion, elimination, waivers, variances and exemptions, such shall be made by the Executive Director or his/her designee based upon consideration of, but not limited to, the following:

(1) Such is/are necessary for the development of quality affordable housing; and

(2) the considerations listed in Section A-17 herein.

Rental Housing
Multifamily Rental Housing Program
Revised: 5/28/20
Adopted: 7/30/20

B. MULTIFAMILY ASSET MANAGEMENT

B-1. Introduction; Definitions

(a) The primary objectives of the Multifamily Asset Management Department (“Asset Management”) are to preserve existing affordable housing and increase property performance, while minimizing the Authority’s risk and ensuring payment of loans. Asset Management oversees multifamily rental housing developments, mortgage loans and real estate owned (“REO”) properties which have a variety of funding sources and program requirements. Asset Management performs this function by monitoring mortgagor compliance with (i) all applicable Authority legal documents, regulations and program requirements and (ii) the Authority’s policies, as approved by its Board of Directors and the Authority’s procedures. Asset Management oversees two portfolios of properties as identified below:

- (1) “Private Portfolio” means multifamily rental housing developments with original financing provided by or with tax credits issued by the Authority. This includes, without limitation, REO properties which are held by subsidiaries of the Authority. Mortgagors must comply with all applicable statutory and Authority procedural requirements and policies as well as applicable loan documents, tax credit rules and additional subsidy rules (such as HUD Section 8) and regulatory agreements.
- (2) “State-Sponsored Housing Portfolio” means the housing loan transferred from the Connecticut Department of Economic and Community Development (“DECD”) to the Authority in 2003 in accordance with Section 8-37uu of the Connecticut General Statutes. Mortgagors and owners with no mortgage must comply with applicable housing loan portfolio program requirements and all applicable statutory and regulatory requirements as well as any applicable loan documents or assistance agreements.

B-2. Tenant-Selection Plans

Each applicant for an Authority multifamily rental housing development mortgage loan shall submit a tenant-selection plan in an Authority–approved format for the Authority’s acceptance. The plan shall comply with the requirements set by applicable state and federal statutes and regulations, including, without limitation, those relating to affirmative fair marketing. Instructions and forms for tenant-selection plans are on the Authority’s website.

B-3. Management Plan, Management Agreement and Management Agent

An applicant/mortgagor receiving Authority financing for a multifamily housing development must have a management agent, management agreement and management plan that have been accepted by the Authority. If no Authority financing is provided, a management plan is not required to be accepted by the Authority.

(a) Management Plan

- (1) The management plan shall describe fully and accurately the proposal for the management of the multi-family rental housing development and shall set forth all material circumstances or features affecting the multifamily rental housing development. The management plan shall include the tenant-selection plan

and the following, without limitation by reason of enumeration: the relationship between the management agent and the applicant, including any identity of interest; personal or family relationships; other property management relationships; and any other relationships, whether presently or previously existing; and the management agent's previous management experience with multifamily rental housing developments.

- (2) The management plan shall include a comprehensive description of the policies and procedures to be followed in the management of the multifamily rental housing development, including those relating to affirmative fair marketing. The management plan shall not be effective until accepted by the mortgagor and approved in writing by the Authority. The management plan shall be incorporated into the management agreement. Instructions and format for management plans are available on the Authority's website.

(b) Management Agreement

The management agreement shall set forth all of the terms, conditions, covenants, and agreements between the applicant/mortgagor and the management agent concerning the management of the multifamily rental housing development. The management agreement shall not be effective until executed by the applicant/mortgagor and the management agent and accepted in writing by the Authority. Management agent's duties and responsibilities shall be detailed in the management agreement. The term of a management agreement shall not exceed five (5) years.

(c) Management Agent

- (1) The selection of a proposed management agent shall be subject to the prior written approval of the Authority on an individual property basis. At the time of application for Authority financing, the applicant is required to submit a list of Qualified Development Team members. The proposed management agent must be a qualified member of the development team (see also Section A-3 of the procedures). The management agent shall acknowledge that it has reviewed and is familiar with the Authority's mortgage loan closing documents, any mortgage insurance or any subsidy benefiting the proposed multifamily rental housing development, and any state or federal statutes and regulations affecting the management agent's duties and responsibilities.
- (2) In the event of a change in the management agent for any multifamily rental housing development, no replacement management agent may be retained and no management agreement may be executed without the prior written approval of the Authority. If any multifamily rental housing development financed by an Authority multifamily mortgage loan is without a management agent approved by the Authority, the Authority may unilaterally appoint a management agent to perform such functions as are required by the Authority until such time as the owner/mortgagor of the multifamily rental housing development shall appoint a management agent approved in writing by the Authority.

- (3) The management agent shall be compensated for performance of its responsibilities under the management agreement in an amount approved in writing in advance by the Authority. Additional information regarding management agent compensation is available on the Authority's website.

B-4. Rent Increases

All proposed rent increases must be reviewed and accepted by the Authority in writing in advance and meet the applicable statutory and regulatory requirements.

B-5. Performance Assessment

Asset Management performs a periodic assessment of each property in the areas of management, physical property condition and financial viability. Based on information received, including financials, and site/unit observations, inspections and, when applicable, reviews by the United States Department of Housing and Urban Development ("HUD"), the Authority determines the level of performance of the property. Properties are monitored and evaluated according to performance. Properties experiencing certain issues of concern to the Authority may be placed on a watch list as a higher priority for monitoring. The Authority maintains the watch list to focus staffing resources on properties experiencing some level of distress in order to provide owners/mortgagors with options and/or resources to improve and stabilize the property.

B-6. Escrow Reserve Release Process

(a) The Authority's approval is required for releases of funds from any escrow accounts held by the Authority, including, without limitation, any reserve for replacement escrow account, residual receipts escrow account, general operating reserve escrow account and any other escrow accounts held by the Authority pursuant to mortgage and regulatory requirements. Forms and guidance are available on the Authority's website.

(b) If escrow funds to be released are to be applied to capital improvements or repair/replacement work, then the work must be completed in accordance with all applicable building codes, State of Connecticut regulations and the Authority's Standards of Design and Construction. The scope of the Authority's review prior to the approval of any release of escrow funds will be determined by the type of work proposed

(c) If a property is in monetary default or non-compliance, the Authority may deny a request for release of funds from any escrow account including, but not limited to, releases from any reserve for replacement escrow account, residual receipts escrow account, general operating reserve escrow account. Non-compliance may include, without limitation, failure to submit financial or any other requested reports, failure to return executed management and affirmative fair marketing agreements, or failure to keep the property in decent, safe, and sanitary condition. The Authority reserves the right to deny any request for release from any escrow account where information or documentation does not meet Authority requirements.

B-7. Capital Needs

Mortgagors shall be required to complete a capital needs assessment ("CNA") of the property, to be proactive in identifying capital improvements needed and to anticipate making adjustments to the

reserve for replacement escrow account in order to fund such capital improvements. The Authority may require a CNA report prior to any Authority financing or refinancing.

B.8. Low Income Housing Tax Credit (“LIHTC”) Program – Post Year 15 Compliance

The Authority maintains a Post Year-15 Compliance Monitoring Policy for properties allocated LIHTCs by the Authority. The purpose is to ensure compliance with mortgagor obligations set forth in the Extended Low-Income Housing Commitment (“ELIHC”) for the multifamily rental housing development, prepared by the Authority.

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C. SPECIAL PROGRAMS

C-1. Small or Emergency Loan Program

(a) The Small or Emergency Loan Program is offered by the Authority to provide financial assistance to Private Portfolio and State-Sponsored Housing Portfolio owners of multifamily rental housing developments who must make small and/or emergency repairs to their property and do not have sufficient assets to finance them on their own. Small or Emergency Loans are available to owners of existing multifamily rental housing developments within the Authority's portfolio through a streamlined application approval process. These loans are reviewed and approved by an Authority staffed committee designated by the Authority's Board of Directors. All approved loans are reported to the Authority's Board of Directors

(b) Staff responds to inquiries for financing through the Small or Emergency Loan Program. If the applicant is eligible for this program, an application package is provided to the applicant to be completed and returned to the Authority for processing. A written proposal from a contractor for the small and/or emergency repairs must be submitted to and approved by the Authority staff as part of the application process. The applicant is notified of approval or disapproval by the Authority. If the loan is approved, the loan is closed and loan proceeds are disbursed as determined by the Authority.

(c) Annual limits for Small or Emergency Loans are set by the Authority's Board of Directors.

C-2. Preservation of Housing Affordability Program

(a) Consistent with the Authority's Board of Director's Preservation of Housing Affordability Policy Statement, the purpose of this program is to provide funding to assist in the preservation of affordable multifamily rental housing developments where the affordability and/or subsidies are at risk of being lost. The program is intended to prevent the loss of affordable housing units by:

- (1) Extending low-income unit affordability;
- (2) Requiring that properties be maintained to the Authority's quality standards over the long term;
- (3) Ensuring that the Authority's Asset Management oversight is maintained;
- (4) Providing sufficient financial incentive for private owners to maintain existing housing as affordable throughout the term of any new financing; and,
- (5) Ensuring that funds continue to be provided for additional affordable housing by maintaining income due to the Authority.

(b) Eligible applicants include any owner that meets the Authority's criteria as a qualified owner. Applicants may apply any time during the calendar year and, upon application approval, funding will be provided until funds designated for the program have been fully expended. Applicants may remain eligible for funding for up to one additional year if the application has been determined

to be satisfactory for approval, but current funds designated for the program have been fully expended. Eligible applicant may be required to pay a fee to the Authority for processing the application and providing funding assistance.

C-3. Multifamily Troubled Debt Restructuring Program

(a) Because multifamily rental housing developments financed by the Authority may experience financial distress as a result of factors relating to the economic climate of the State and financial difficulties of a mortgagor and/or a multifamily rental housing development, the Authority has established a program by which multifamily rental housing developments experiencing such financial distress can seek restructuring of the Authority financing. Through this program the Authority will evaluate whether the multifamily rental housing development should be considered for such restructuring, and determine under what conditions, if any, the Authority might consider temporary or permanent mortgage restructuring which the Authority would not otherwise approve. The Multifamily Troubled Debt Restructuring Program establishes criteria by which the Authority may assist multifamily rental housing developments to achieve financial stability in accordance with its statutory mandate and financial obligations.

(b) The Authority shall not restructure any loan unless it is determined by the Authority, in its discretion, to be in the best interest of the Authority and in compliance with these procedures. Proposals will not be considered if, in the sole determination of the Authority, the multifamily rental housing development's financial distress is caused by mismanagement.

(c) These procedures create no right or entitlement in any mortgagor to a restructuring of the Authority's existing financial assistance, and the Authority shall not be prevented from exercising any of its rights under existing loan documents by reason of a request for or approval of a mortgage restructuring in accordance with these procedures.

(d) Any mortgagor of a multifamily rental housing development in the Authority's portfolio which is experiencing financial distress due to circumstances beyond the mortgagor's control and beyond the financial ability of the mortgagor to correct or mitigate, may contact the Authority to request its assistance by contacting CHFA's Multifamily Asset Management department. The mortgagor shall provide a general description of the nature of the financial distress, an explanation of the reasons for the distress and the mortgagor's proposal for relief.

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III

SINGLE FAMILY HOUSING

A. HOMEBUYER MORTGAGE PROGRAM

A-1. Homebuyer Mortgage Loans

The Homebuyer Mortgage Program finances acquisition or rehabilitation of existing or newly-constructed housing with no more than four living units, one of which is required to be occupied by the borrower. The Authority's home mortgage funds are distributed through participating lenders.

A-2. Participating Lenders

(a) A "participating lender" is a lending institution that cooperates with the Authority in making funds available under its Homebuyer Mortgage Program by making and/or servicing mortgage loans that the Authority has agreed to purchase.

(b) To be approved by the Authority 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) unless it is an FDIC or FSLIC insured deposit-taking institution incorporated and existing under the laws of Connecticut, have twelve (12) months' experience in making mortgage loans on homes located in Connecticut. In the case of those institutions that acquire an institution in Connecticut, where the acquired institution meets the experience requirement, the acquiring institution shall be deemed to meet the experience requirement;
- (3) maintain a minimum tangible net worth of \$1,000,000 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;
- (4) be in compliance with applicable federal and state laws, regulations promulgated thereunder and any licensing requirements by agencies of government having jurisdiction;
- (5) maintain quality control and management systems to evaluate and monitor the overall quality of its origination activities, and
- (6) execute the standard Master Commitment Agreement for Mortgage Purchases.

(c) To be approved by the Authority as a participating lender to service Authority loans, the institution must meet the following criteria:

- (1) have the capacity and personnel to service mortgage loans, as determined by the Authority;
- (2) demonstrate a proven ability to service the type of mortgages for which Authority approval is being requested;
- (3) maintain a minimum tangible net worth of \$1,000,000 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;
- (4) be in compliance with applicable federal and state laws, regulations promulgated thereunder and any licensing requirements by agencies of government having jurisdiction;
- (5) maintain quality control and management system systems to evaluate and monitor the overall quality of its servicing activities, and
- (6) execute the standard Home Mortgage Servicing Agreement and/or other contracts as determined by the Authority.

(d) The Authority may remove from the list of approved participating lenders any lending institution that has (i) failed to commit, close and/or service mortgage loans in accordance with the Act, these procedures, the Master Commitment Agreement for Mortgage Purchases, and/or the Home Mortgage Servicing Agreement or (ii) ceased to meet the criteria for becoming a participating lender. The Authority may terminate the Master Commitment Agreement for Mortgage Purchases and/or the Home Mortgage Servicing Agreement in accordance with the provisions thereof.

(e) Participating lenders shall not restrict applications for loans to any segment of the Homebuyer Mortgage Program, except that a participating lender need not accept applications for rehabilitation mortgage loans and need not accept applications for mortgage loans on homes located outside its normal geographic lending areas.

(f) The Authority may require a newly approved participating lender to attend training sessions as the Authority deems appropriate.

(g) A participating lender may sponsor a "correspondent lender" to originate mortgage loans with the prior written approval of the Authority. The sponsoring participating lender will be required to meet and provide evidence of a minimum tangible net worth of \$1,000,000 in order to sponsor a correspondent lender. To be approved as a correspondent lender to originate mortgage loans by the Authority, the correspondent lender must meet the same criteria for a participating lender to originate mortgage loans as described in subsection (b) above, except as follows:

- (1) have a minimum tangible net worth of \$50,000,
- (2) the correspondent lender may be required to execute the standard Master Commitment Agreement for Mortgage Purchases;

- (3) the correspondent lender may be required to attend a training session(s) prior to originating any Authority loans on behalf of the sponsoring participating lender and any other training sessions as the Authority deems appropriate; and
- (4) conform to guidelines as required by the Connecticut Department of Banking and/or the Authority regarding licensing of a correspondent lender in the State of Connecticut.

An approved correspondent lender may originate home mortgage loans on behalf of a sponsoring participating lender. However, the sponsoring participating lender shall remain fully responsible to the Authority for its obligations pursuant to these procedures, the Authority Homebuyer Mortgage Program Operating Manual, and the Master Commitment Agreement for Mortgage Purchases. The Authority reserves the right to limit the number of correspondent lenders and may rescind approval of a correspondent lender at any time with (prior) written notice.

A-3. Distribution of Mortgage Money

(a) The Authority makes mortgage money available through participating lenders in the state. The Authority will not issue separate allocations to any particular participating lenders. Generally, mortgage money is available on a continuous basis.

(b) Mortgage money may be reserved by a participating lender for a prospective borrower only after the prospective borrower has entered into a written sales agreement covering the property to be financed, a copy of which agreement shall be supplied to the participating lender, and has shown evidence of income by supplying a copy of the federal income tax return most recently filed by a prospective borrower, unless he has not been required to file such return. The participating lender will tentatively determine if the prospective borrower is qualified as an eligible borrower as defined in section III, A-5 entitled "Eligible Borrowers" of these procedures. Such reservation of funds not committed within four (4) months of the date of reservation shall be canceled and of no further effect unless extended by the Authority.

(c) The Authority reserves the right to hold back a portion of any available mortgage money for use in special programs, in furtherance of its goals in providing financing for owner-occupied one-to four-family housing. The Authority may limit participation in such special programs to certain designated lenders or may, itself, administer loans made thereunder.

A-4. Commitments for Mortgage Purchase

A participating lender shall submit each mortgage loan application approved by it to the Authority with all information and documents required to comply with the rules and regulations of the commissioner of banking, any mortgage insurer or guarantor, and the Homebuyer Mortgage Program Operating Manual.

A-5. Eligible Borrowers

An applicant shall be eligible for an Authority mortgage loan if the applicant:

(a) Has aggregate family income at an annualized rate at the time of application at or below the applicable income limit in effect at the time of application or is purchasing residential property in one of the legislatively defined urban areas pursuant to section III, A-9 of these procedures entitled "Urban Area Mortgages";

(b) Agrees to occupy and use the residential property to be purchased or rehabilitated for a permanent, primary residence within sixty (60) days of the closing of the mortgage loan;

(c) Possesses the legal capacity to incur the obligations of the Authority's mortgage loan;

(d) Possesses the ability, as determined by the Authority, to repay the Authority's mortgage loan;

(e) Contracts to purchase or rehabilitate property which qualifies as an eligible dwelling under section III, A-15 of these procedures entitled "Qualification as an Eligible Dwelling";

(f) Has not, at any time during the three years preceding the date of application for the mortgage loan, had a present ownership interest (as defined by the Homebuyer Mortgage Program Operating Manual) in his principal residence. This requirement does not apply to loans on properties located in targeted areas as designated by the Authority or to loans made to prior homeowners as permitted by Federal Law, and

(g) Is not using the proceeds of the Authority's mortgage to refinance an existing mortgage on the property (except in the case of a qualified rehabilitation loan) or to finance the acquisition of the remaining interest in a property in which a partial interest already is owned. The use of the loan proceeds to refinance an existing mortgage is permitted if the prior mortgage is a construction period loan or other temporary financing with a period of twenty-four (24) months or less, or if it is on unimproved land on which a dwelling is to be constructed and is to be paid prior to the closing of the Authority's mortgage loan, which latter loan does not exceed the cost of construction.

A-6. Occupancy

(a) Owner-occupancy is a condition of the Authority's home mortgage loans. As a part of the application process, each applicant for an Authority home mortgage loan shall sign a certificate on a form provided by the Authority attesting to the applicant's intent to live in the housing to be financed. At the closing of such loan, each borrower shall execute an Owner-Occupancy Certificate attesting that the housing to be financed is being purchased as the permanent primary residence of the borrower. The borrower shall occupy the housing within sixty (60) days of the closing and shall continue to occupy the housing for the term of the mortgage. No later than sixty (60) days after the closing of a loan, the participating lender shall verify owner-occupancy by means of a physical inspection of the mortgaged property.

(b) Extensions of the deadline for taking occupancy may be granted by the Authority, in its sole discretion, upon a showing of good cause therefor. No extension shall be granted if, prior to closing, the borrower knew or had reason to know of the barrier to occupancy.

(c) The Authority may waive as an event of default the failure of a borrower who has been residing in housing financed by the Authority as the borrower's permanent primary residence to occupy such residence for not more than three (3) periods of up to one (1) year provided borrower applies to the Authority in advance, and upon receiving the Authority's waiver, the borrower certifies to the satisfaction of the Authority annually that:

- (1) borrower has complied with the Authority's owner occupancy requirements in good faith;
- (2) borrower has moved out due to unforeseen circumstances beyond borrower's control including, but not limited to, military duty assignment, job transfer, employment training or serious medical condition of a family member which requires borrower's presence;
- (3) the mortgage debt service, taxes, common charges or other required expenses and required insurance are and will remain current;
- (4) if required, the property will be listed and actively marketed for sale, and
- (5) the amount of any rent received from the housing does not exceed the annual sum of mortgage debt service, taxes, common charges and insurance premiums and that any excess shall be paid to the Authority.

(d) The Authority shall declare the failure to occupy to be a default of the mortgage loan and may pursue all remedies available under the note and mortgage, the Authority Owner-Occupancy Certificate, or otherwise available at law or in equity, if during the period of sixty (60) days from the closing the borrower does not occupy the mortgaged housing as a permanent primary residence, unless the Authority has extended the time for occupancy as provided herein.

(e) No tenant selection plan shall be required of borrowers in connection with the Authority's home mortgage loans.

(f) The Authority may waive as an event of default the failure to continue to occupy the housing for the term of the mortgage for military personnel transferred to another military base, provided the borrower provides the Authority with a written request and proof of transfer.

A-7. Credit Review

In determining whether or not an applicant meets the Authority's income limitations, where applicable, an applicant's aggregate income shall be computed by including the elements discussed herein.

(a) An applicant's aggregate income shall include income from whatever source derived, including without limitation, regular earnings; part-time earnings; unemployment compensation; bonuses; overtime income, whether or not guaranteed by an employer; dividends; interest (except on funds which will be used for down payment and closing costs); commissions; military allowances; welfare payments; disability payments; pension, annuity, retirement, and social security benefits; and reimbursement for services in military reserve or National Guard. The Authority may at its option

exclude overtime income where it deems such income to be of short duration and of a temporary nature.

(b) “Aggregate income”, for purposes of determining compliance with the Authority’s income limitations and qualifications for the Authority’s Homebuyer Mortgage Programs, shall consist solely of the aggregate income of the mortgagor (or mortgagors).

(c) Aggregate income, for purposes of determining compliance with the applicable income limit when purchasing dwellings of two to four units, shall be the percentage of the anticipated fair market income consistent with the applicable loan program.

(d) Aggregate family income shall also include alimony, child support, or maintenance payments only to the extent that they are likely to be consistently received. Factors to be considered in determining the likelihood of consistent payments include, but are not limited to, whether the payment is received pursuant to a written agreement or court decree, the length of time the payments have been received, the regularity of receipt, the availability of procedures to compel payment, whether full or partial payments have been made, the age of any child for who child support is to be paid, and the creditworthiness of the obligee, including the credit history of the obligee where available under the Fair Credit Reporting Act (section 1681 et seq. of title 15 of the United States Code) or other applicable laws. A participating lender shall submit to the Authority evidence adequate to support its determination.

A-8. Evidence of income

Each applicant for an Authority's home mortgage loan shall provide copies of the three previous years' signed federal income tax returns (one year in the case of a loan in a targeted area or to a prior homeowner) and the three most recent pay stubs (if provided pursuant to section 31-13a of the General Statutes) of the applicant (s), unless the Authority agrees in writing to accept other evidence of income where no such return has been filed or no such pay stubs have been provided. The participating lender shall obtain income and employment verification from the applicant's employer.

In cases where an applicant is self-employed, or is one of the principal owners of a business, the applicant's schedule C from his most recent federal income tax return or the business' income tax return will be used, without adjustment, to determine income. Self-employment or investment losses and employee expenses on Form 2106 will not be reflected for purposes of eligibility, but will be reflected for underwriting ratios.

A-9. Urban Area Mortgages

(a) The Authority may finance mortgage loans in certain State and Federally designated urban targeted areas of the state without regard to the borrower's income. Such applications are considered only when such desired loans may not otherwise be available on "reasonable terms" as determined by the Executive Director of the Authority.

A-10. Family Size

The family unit of an applicant for an Authority's mortgage loan shall include the mortgagor (or mortgagors) and their legal dependents and any permanent member of the household that will occupy the subject property, who are related, such as parents; grandparents; in-laws; foster children, etc. The intended spouse of an applicant engaged to be married will be considered part of the family unit regardless of the proposed marriage date. A borrower who is divorced shall submit a copy of the decree of dissolution of marriage as proof of such status. A borrower who is separated from a spouse will be treated for income limit purposes as being married, unless such borrower submits evidence of separation for more than three years or a judicial decree of separation dated prior to the date of application.

A-11. Disposal of Other Residential Property

Any real estate that is owned by the borrower and used by the borrower as a residence and that will not be security for a proposed mortgage loan to the borrower shall be disposed of or under bona fide contract for sale before the closing on such loan. In cases where a borrower, such as in a federally approved target area, is in the process of selling such residential property or has sold it during the six months prior to the date of application for the loan, the borrower shall apply the equity proceeds from that sale as a down-payment on the eligible dwelling. The borrower may deduct payoff of the present first mortgage, payoff of other mortgages recorded at least one year, real estate commissions and reasonable closing costs on the home being sold in determining equity proceeds.

A-12. Determination by Participating Lender

The qualification of an applicant as a borrower shall be determined by each participating lender subject to review by the Authority. A participating lender shall review each application form and related submissions to determine their completeness in accordance with the terms of the Act and these procedures. Reasonable efforts shall be undertaken to verify information given in such application.

A-13. Denial Caveat

A participating lender shall not deny the Authority's mortgage loan to a borrower because the borrower is not a depositor or customer of the participating lender. A participating lender shall not deny the Authority's mortgage loan to a borrower because the borrower is not a member of a particular group that such lender desires to favor or is a member of a particular group that such lender desires to exclude.

A-14. Multiple Loans

A borrower may not have more than one outstanding Authority mortgage loan, including an Authority mortgage loan that has been assumed by another borrower. A commitment for a borrower who already has an Authority mortgage loan shall contain, as a special condition, the payment in full of the prior loan.

A-15. Qualification as an Eligible Dwelling

(a) An Authority mortgage loan shall be made only to finance the acquisition or rehabilitation of an eligible dwelling. An eligible dwelling is one that is located in the state, is structurally and functionally sound, meets all applicable zoning, building, health, and similar codes and requirements, and has a purchase price not in excess of any limits set by the Authority. A permanent certificate of occupancy shall have been issued for each eligible dwelling. An eligible dwelling may be a building consisting of one to four family dwelling units or may be an owner-occupied unit of a multi-unit complex such as a condominium, a planned unit development, etc., provided that such multi-unit complex has received the Authority's prior approval. The land on which the eligible dwelling is situated cannot exceed basic livability, other than incidentally, cannot be subdivided, and cannot be a source of income to the borrower. The participating lender shall make a preliminary determination as to whether a dwelling as to which an Authority mortgage loan is requested is an eligible dwelling.

(b) The sales contract of a newly-constructed house (one which was not occupied prior to the Authority's loan commitment) or a house to be constructed must provide for insulation of at least R30 in the ceiling and R11 in the walls (R38 in the ceiling and R19 in the walls and floors in the case of electric heat) and for double-glazed windows with wood or other thermal break (or storm windows in lieu thereof). If necessary, an amendment to the sales contract to provide for these will be required.

A-16. Minimum Downpayments

The minimum downpayment required in the case of the Authority's mortgage loan insured by Private Mortgage Insurance ("PMI"), the Federal Housing Administration ("FHA"), USDA Rural Development (RD) or guaranteed by the Veterans Administration ("VA") shall be such downpayment, if any, required from time-to-time by PMI, FHA, RD or VA or such other insurance program accepted by the Authority.

A-17. Income and Sales Price Limits

(a) The Authority shall adopt income limits for borrowers in order to carry out the policies and purposes of the Act, subject, however, to the provisions of section III, A-9 of these procedures entitled "Urban Area Mortgages." The Authority shall adopt income limits for each county in the state that vary with the size of the household to occupy the housing to be financed, except that income limits for households of three (3) persons shall also be applicable for smaller households and the income limits for households of seven (7) persons shall also be applicable for larger households. The income limits applicable to a particular borrower is the one for the appropriate household size in the county in which the housing to be financed is located. In no event shall such income limits exceed the products, rounded to the nearest one hundred (100) dollar multiple, arrived at by multiplying one hundred thirty (130) percent by the following:

- (1) for Fairfield County, the average of the median family income established from time to time by the United States Department of Housing and Urban Development ("HUD") for the federal Bridgeport-Milford, Danbury, Norwalk, and Stamford primary metropolitan statistical areas;

- (2) for New Haven County, the average of the median family income for the federal New Haven-Meriden and Waterbury metropolitan statistical areas;
- (3) for New London County, the median family income for the federal New London-Norwich metropolitan statistical area;
- (4) for Hartford and Tolland Counties, the median family income for the federal Hartford primary metropolitan statistical area;
- (5) for each other county in Connecticut, the median family income for the federal non-metropolitan county parts for the particular county.

(b) The Authority shall adopt sales price limits for mortgaged premises to carry out the policies and purposes of the Act. The Authority shall adopt sales price limits for each county in the state. In no event shall any sales price limit exceed the amount which would cause the Authority's bonds to be taxable under the Mortgage Subsidy Bond Tax Act of 1980. In no event shall such sales price limits exceed the products, rounded to the nearest one hundred (100) dollar multiple, arrived at by multiplying four (4) by the following:

- (1) for Fairfield County, the average of the median family income figures published from time to time by HUD ("MFI") for the federal Bridgeport-Milford, Danbury, Norwalk, and Stamford primary metropolitan statistical areas;
- (2) for New Haven County, the average of the MFI's for the federal New Haven-Meriden and Waterbury metropolitan statistical areas;
- (3) for New London County, the MFI for the federal New London-Norwich metropolitan statistical area;
- (4) for Hartford and Tolland Counties, the MFI for the federal Hartford primary metropolitan statistical area, and
- (5) for each other county in Connecticut the MFI for the federal non-metropolitan county parts for the particular county.

(c) Anything set forth in these Procedures to the contrary notwithstanding, the Authority may from time to time adopt income limits and sales price limits on a basis different than as is provided in subsections A-17(a) and A-17(b) above, *provided, however*, said limits shall be in compliance with section 143 of the Internal Revenue Code of 1986 (26 USC §143) and all rules and procedures promulgated thereunder, and as shall be deemed necessary by the Executive Director to carry out the policies and purposes of the Act by the Executive Director, as follows:

- (1) The Authority shall adopt income limits for borrowers in accordance with the following:
 - (A) the household income of the mortgagor shall not exceed 115 percent of the applicable median income, unless in a Targeted Area; and

- (B) in the case of any financing provided under any bond issue for targeted area residents:
 - (i) one-third of the amount of such financing may be provided without regard to subparagraph (A), and
 - (ii) sub paragraph (A) shall be treated as satisfied with respect to the remainder of the financing if the household income of the mortgagor is 140 percent or less of the applicable median family income.
- (C) for purposes of this subsection the term "applicable median income" means, with respect to a dwelling, whichever of the following is greater:
 - (i) The area median gross income for the area in which such dwelling is located, or
 - (ii) The statewide median gross income.
- (2) The Authority shall adopt sales price limits for mortgaged premises in accordance with the following:
 - (A) the acquisition cost of a dwelling shall not exceed 90 percent of the average area purchase price applicable to such dwelling, unless in a Targeted Area;
 - (B) for purposes of subparagraph (A) the term "average area purchase price" means, with respect to any dwelling, the average area purchase price of single family dwellings (in the federal statistical area in which the dwelling is located) which were purchased during the most recent 12-month period for which sufficient statistical information is available, and
 - (C) for purposes of this subsection, the determination of average area purchase price shall be made separately with respect to:
 - (i) dwellings which have not been previously occupied, and
 - (ii) dwellings which have been previously occupied.
 - (D) in the case of Targeted Area residence, subparagraph (A) shall be applied by substituting "110 percent" for "90 percent."

A-18. Computation of Sales Price

(a) The sales price of an eligible dwelling as established in an arm's length transaction shall not exceed the applicable sales price limit established by the Authority and in effect at the time of the application. The sales price of an eligible dwelling shall include all amounts paid, either in cash or in kind, by the buyer (or by another party acting on behalf of the buyer) to the seller (or to another party for the benefit of the seller).

(b) The following items shall be included in the computation of the sales price of an eligible dwelling:

- (1) the reasonable costs of completing the eligible dwelling, whether or not such costs are to be financed with the proceeds of the mortgage loan, if the eligible dwelling is incomplete at the time of closing and the builder does not normally sell similar incomplete homes;
- (2) the capitalized value of the ground rent, for an eligible dwelling subject to a ground rent, which value shall be calculated using a discount rate equal to the yield on the Authority's bonds from which the loan proceeds were derived; and
- (3) the cost of the land on which the eligible dwelling is located, if such land had been owned by the borrower prior to the construction of the eligible dwelling.

(c) Participating lenders shall obtain appraisals of all properties for which the Authority's loans are requested. Said appraisals shall be on forms required by the mortgage insurer or guarantor, shall be made by appraisers acceptable to the Authority. Appraisal reports shall be submitted to the Authority together with other loan documents.

(d) The value of property as reported in an appraisal shall be that which the property would bring in a bona fide, arm's-length transaction between well- informed/advised parties acting in their own best interests, assuming reasonable market exposure for the property and payment in cash or by means of typical financing terms. If an appraisal indicates that a property is in need of repairs, a recertification by the appraiser will be required prior to the closing of the loan. Such recertification shall state that either the necessary repairs have been made or that an escrow has been set up.

(e) As part of the Borrower Affidavit submitted to the Authority, the participating lender shall include an Acquisition Cost Worksheet completed by the borrower. Such worksheet, on a form supplied by the Authority, shall set forth in detail the sales (acquisition) price of the eligible dwelling, as computed in accordance with these procedures.

(f) At the closing of each loan, the participating lender shall certify to the Authority that the sales (acquisition) price of the property is not in excess of the applicable sales price limit. Such certification shall be based on the lender's review of the Acquisition Cost Worksheet and other relevant documentation, and shall be made as part of the Participating Lender Certification.

(g) The Authority may at its option reject an application for a mortgage loan to finance the purchase of an eligible dwelling where the appraised value exceeds the applicable sales price limit by more than five (5) percent.

(h) Notwithstanding any of the above, the Authority reserves the right to require an independent appraisal if, in its sole discretion, it determines that doing so is necessary to ascertain whether the property in question qualifies as an eligible dwelling.

(i) Surveys are not needed unless required by mortgage insurers/guarantors or the Authority. A participating lender shall promptly notify the Authority upon discovery of any state of facts which, from the standpoint of a prudent lender, may indicate the need for a survey of the property in question.

A-19. Eligible Condominiums (Common Interest Community)

The Authority's mortgage loans may be made to finance the acquisition of any unit in the following classes of condominium units:

(a) Any unit not part of a conversion; or

(b) Any unit in a conversion condominium, except that for a period of one (1) year subsequent to the filing of the declaration of condominium, the Authority may provide mortgage loan financing only to an applicant who is a tenant that has rented a unit at the property.

A-20. Condominium Project Eligibility

Authority mortgage loans may finance the purchase by eligible borrowers of units in condominium or common interest communities, *provided, however*, all applicable program requirements determined by the Authority must be satisfied, including, without limitation, terms and conditions required by any applicable conventional and/or government homeownership mortgage loan programs offered by, among others, the United States Federal Housing Administration, the United States federal government sponsored entities (the Federal Home Loan Mortgage Corporation and the Federal National Mortgage Association), and/or private mortgage insurers.

A-21. Maximum Number of Units Financed

Upon approval of a common interest community (such as a condominium, a planned unit development, etc.), the Authority will determine the number of units that will be eligible for the Authority's mortgage loans. The Authority shall not hold mortgage loans on more than fifty (50) percent of the units in any common interest community, and at least fifty (50) percent of the units shall be sold or under bona fide contract of sale prior to the Authority's purchase of any mortgage loan on a unit, unless otherwise approved by the Executive Director of the Authority.

A-22. Detached Single Family Houses in a Multi-Unit Complex

Detached single family houses in a multi-unit complex shall be considered on the same basis as any single family houses not part of multi-unit complexes.

A-23. Leasehold Interests

The following requirements shall apply where a loan is secured by a mortgage on a leasehold interest:

- (a) the lease shall be in full force and effect;
- (b) the notice of lease shall be recorded on the land records of the town in which the leased property is located;
- (c) the term of the lease may not terminate earlier than that number of years beyond the maturity date of the Authority's mortgage loan as is equal to the number of years remaining to maturity; and
- (d) the lease shall be in a form acceptable to the participating lender and the Authority; it shall provide that the lessee may mortgage the leasehold estate, and that the lease may not be terminated for a lessee's default unless the mortgagee receives from the lessor written notice of, and reasonable opportunity to cure, such default.

A-24. Mortgage Insurance or Guaranty

- (a) Each Authority mortgage loan application submitted to the Authority by a participating lender shall be accompanied by a commitment for mortgage insurance or guaranty if required by the Authority.
- (b) Mortgage insurance or guaranty or a firm commitment, if required by the Authority, shall be in effect at the time the Authority purchases a mortgage loan, and the Authority shall be named as the insured or guaranteed mortgagee.
- (c) Mortgage insurance or guaranty, whether governmental or private mortgage insurance, shall generally conform with such terms and conditions, including amount of PMI coverage, as are customary in the industry, subject to the discretion of the Executive Director, as promulgated from time to time in the Authority Homebuyer Mortgage Program Operating Manual.
- (d) The issuance of a commitment for mortgage insurance or guaranty shall not obligate the Authority to issue a loan commitment for the application.

A-25. FHA-Insured, RD-Guaranteed and VA-Guaranteed Mortgage Loans

The Authority's mortgage loans may be insured by FHA insurance, RD guarantees or the VA guarantees on newly constructed or existing eligible dwellings.

Each FHA-insured or VA-guaranteed loan may be insured or guaranteed under one of the following programs:

- (a) FHA Section 203 (b) or (i); Home Unsubsidized,
- (b) FHA Section 203 (k);

- (c) FHA Section 213: Cooperative Financing,
- (d) FHA Section 221 (d)(2): Low and Moderate Income,
- (e) FHA Section 222: Servicemen,
- (f) FHA Section 233: Experimental Housing,
- (g) FHA Section 234: Individual Condominium Unit,
- (h) FHA Section 235: Lower Income (Interest Subsidy),
- (i) FHA Section 237: Special Credit Risks,
- (j) FHA Section 245: Graduated Payment Mortgages,
- (k) FHA Section 745: Direct Endorsements,
- (l) FHA Section 809: Armed Services Civilian Employees,
- (m) FHA Section 810: Armed Services Housing,
- (n) VA-Chapter 37, Title 38, U.S. Code (which includes section 501 of the Servicemen's Readjustment Act of 1944, as amended),
- (o) USDA Rural Development Section 502 Guaranteed Rural Housing Loan Program.

The Authority's mortgage loans may be insured under any other FHA insurance program with the prior written approval of the Authority.

VA and RD-Guaranteed funding fees may be included in the first mortgage loan financed by the Authority, providing the LTV does not exceed the guidelines of the insurer.

A-26. Mortgage Insurance Coverage

The term of all mortgage insurance or guarantees with respect to the Authority's mortgage loans shall not expire prior to the payment in full of said loan. Any mortgage insurance or guarantee shall be in full force and effect as of the closing date of the Authority's mortgage loan insured or guaranteed, and such insurance or guarantee shall name the Authority as the insured or the beneficiary of the guarantee.

A private mortgage insurer shall not charge a commission, fee, or other compensation for providing mortgage insurance other than premiums at the rate or rates filed with the Insurance Commissioner. Notwithstanding the above, private mortgage insurance for those loans (including loans on 2-4 family homes) that close on or after July 29, 1999 shall be subject to cancellation or termination pursuant to the provisions of the Federal Homeowners Protection Act of 1998. In addition, for those loans that closed prior to July 29, 1999, PMI may be terminated if the borrower makes written request to the servicer, subject to the following conditions:

- (1) Sufficient amortization of the mortgage loan has occurred such that the outstanding principal balance of the mortgage loan is 80% or less of the borrower's purchase price;
- (2) A current appraisal shows a fair market value of the mortgaged premises such that the current loan-to-value is 80% or less; and
- (3) The borrower has a good payment history for the 24 months immediately preceding the date of the borrower's request as defined by the Homeowners Protection Act of 1998.

Provided, PMI shall be automatically cancelled for those loans that closed prior to July 29, 1999 upon the following conditions:

- (1) The loan has amortized for a period of fifteen (15) years since closing; and
- (2) The borrower is current on the loan.

A-27. Terms and Condition of Authority Mortgage Loans

(a) Each Authority mortgage loan shall be secured by a valid first lien on the mortgaged property. Such property shall be free and clear of all prior encumbrances and liens except as approved by the Authority, and no rights may be outstanding that could give rise to such prior liens.

(b) The mortgage note, deed, and any other instruments securing a mortgage loan, shall create legal, valid, and binding obligations of the borrower(s), enforceable in accordance with their terms, free from any right of set-off, counterclaim, or other claim of defense.

(c) The original term of a mortgage loan on a fee interest shall not exceed thirty (30) years. The original term of a mortgage loan on a leasehold interest shall not exceed thirty (30) years, and the term of the underlying lease shall not expire for at least such number of years beyond the maturity date of such loan as is equal to the number of years remaining to maturity.

(d) The Authority may require that mortgage loans be of the growing equity type. Under this type of mortgage the borrower is qualified under an initial monthly payment of principal and interest based on a 30-year term. During the term of the mortgage this monthly payment is increased at certain times with the entire payment increase applied to the principal balance on the loan so that the loan is fully paid in substantially less than 30 years. The note must show the monthly payment for each period of time during the term of the loan.

(e) The principal amount of each Authority loan shall be advanced at the time of closing. Such loan shall provide for monthly amortization payments, interest payable in arrears, with full repayment by maturity. Amortization shall commence within two (2) months after closing. Monthly amortization payments shall be due on the first day of each month, and the final payment date shall be shown on the loan documents.

(f) A mortgage loan shall not provide for a prepayment penalty. Loans may provide for a late charge in an amount not to exceed five (5) percent on payments fifteen (15) days or more past due to cover the expenses attributable to the receipt of payment after the due date.

(g) Each Authority mortgage shall provide for the monthly collection of escrow payments for real estate taxes, mortgage insurance premiums, and hazard insurance premiums, when required by the mortgage insurer, in addition to the monthly amortization payments. A participating lender shall pay interest on escrow deposits at a rate of not less than the minimum set forth in applicable statutes or regulations.

(h) A mortgage loan shall obligate the borrower to keep the mortgaged premises in good repair and condition, keep the premises free from other liens and encumbrances, and maintain hazard

insurance in accordance with the requirements set forth in section III, A-29 entitled "Hazard Insurance Coverage" of these procedures.

(i) The Authority may require the mortgage and the mortgage note to be executed on forms provided by the Authority.

(j) All requirements of all federal and state law, rules, regulations and procedures now existing or hereafter adopted, applicable to mortgages and mortgage loan transactions, including without limitation truth-in-lending laws, fair credit reporting laws, equal opportunity laws, usury laws, and law regulating interest due on escrow accounts, shall be complied with where applicable.

A-28. Title Insurance

(a) Each Authority mortgage loan shall be insured by a mortgagee's title insurance policy which insures that the Authority has a good and valid mortgage on the mortgaged property. Such policy shall be issued in a form and by a title insurer licensed to do business in the State of Connecticut and must show recording data for the mortgage and the assignment thereof. The policy must be in an amount not less than the original principal balance of such loan. The named insured shall be named in the following form:

"(Participating lender) and/or Connecticut Housing Finance Authority, its successors and assigns, as their interests may appear."

(b) Title insurance policy exceptions for agreements or restrictive covenants relating to cost, use, building lines, minimum size, building materials, architectural, aesthetic or similar matters (other than single-family use restrictions on two to four family properties) are acceptable to the Authority if:

(1) there is no possibility of reversion or forfeiture of title in the event of violation thereof, and the title policy insuring the mortgage loan affirmatively insures that a breach or violation of covenants, restrictions, agreements, and other encumbrances will not result in a forfeiture or reversion of title; and

(2) no violation of any such agreements or restrictive covenants exists as of the date of closing.

(c) The following title insurance policy exceptions shall be acceptable to the Authority:

(1) any mutual easement agreement recorded in the land records of the town within which the property is situated that establishes a joint driveway or a party wall, whether constructed partly or wholly on the mortgaged property or the adjoining property, but only if the easement agreement allows all present and future owners, their heirs and assigns, unlimited use of the driveway or party wall without any restriction other than any restrictions stating the mutual easement owners' rights in common and duties as to joint maintenance;

(2) Encroachments on the mortgaged property by improvements on adjoining property, provided such encroachments do not extend more than one foot over the property line at any point, do not cover or enclose an area of greater than fifty (50) square feet on the mortgaged

property, do not touch any building or any other improvement, and do not interfere with the use of the mortgaged property as a residence. An encroachment not meeting these standards will be acceptable to the Authority only if it is made the subject of a recorded easement agreement; and

(3) liens for real estate or other taxes and assessments, including sewer or street-improvement caveats, no payments under which are due at the time of closing.

A-29. Hazard Insurance Coverage

(a) Property subject to an Authority's mortgage loan shall be covered by hazard insurance as follows:

(1) Fire and customary extended coverage insurance in an amount sufficient to cover the outstanding principal balance of such loan or the full insurable value of the improvements on the mortgaged property, whichever is less. The amount of coverage may not be less than the amount required by a mortgage insurer or guarantor nor be required to exceed the maximum amount permitted by applicable statutes.

(2) A participating lender shall be responsible for and shall be deemed to guarantee compliance with the provisions of the Flood Disaster Protection Act of 1973, whenever such provisions are applicable to any Authority mortgage loan. If mortgaged property is located in an area having special flood hazards, as identified by the Secretary of Housing and Urban Development, flood insurance shall be maintained in the amount of the outstanding principal balance of the Authority's mortgage loan or the maximum limit of the coverage available under the National Flood Insurance Act of 1968, as amended, whichever is less.

(3) Hazard insurance policies may provide for a deductible in an amount acceptable to the Authority for each event of loss, applicable to either fire or extended coverage or both.

(4) Each hazard insurance policy shall be issued by a hazard insurance carrier licensed to do business in Connecticut.

(5) Hazard insurance shall be in effect on the closing date of a mortgage loan and the premium therefore shall be paid in advance for a full year from the closing date.

(6) The participating lender shall notify the Authority whenever the provisions of this section are not complied with.

(b) Insurance policy requirements are as follows:

(1) All policies of hazard insurance shall contain a mortgagee clause naming "Connecticut Housing Finance Authority and/or its successors and assigns, as their interests may appear" as the loss payee.

(2) All policies of hazard insurance shall provide that the insurance carrier will provide written notice to the Authority at least ten (10) days in advance of the effective date of any change or cancellation of a policy.

(3) A participating lender shall give any notices necessary to fully protect the interest of the Authority as first lienholder under the terms of any insurance policy under which the Authority has an interest and under applicable law.

(c) Insurance policies shall not be accepted by a participating lender or the Authority if:

(1) under the terms of the insurance carrier's charter, bylaws or policy, contributions may be required to be made by, or assessments be made against, the Authority or its assigns; or

(2) contributions may be required to be made by, or assessments made against, a borrower, which may become a lien against property prior to the lien of an Authority mortgage; or

(3) by the terms of the insurance carrier's charter, bylaws, or policy, loss payments are contingent upon action by such carrier's board of directors, policyholders, or members; or

(4) the insurance policy includes any limiting conditions that may prevent the Authority or the borrower from collecting insurance proceeds payable under the policy.

A-30. Loan Purchase

(a) Participating lenders shall verify that all the Authority's mortgage loan documents are properly executed by the named borrowers and are correct as to property location, principal amount, interest rate and maturity date.

(b) Participating lenders shall determine the amount of monthly escrow payments with respect to each Authority mortgage loan and make arrangements for the establishment of an escrow account with the servicer, if the servicing is not to be done by the participating lender. The participating lender or other servicer shall reserve or escrow amounts estimated to be sufficient to pay all escrow items by their respective due dates.

(c) Participating lenders, or other servicers, shall escrow for real estate taxes, any mortgage insurance premiums, and hazard insurance premiums (when hazard insurance premiums are required to be escrowed by the mortgage insurer or guarantor).

(d) All fees collected by a participating lender from a borrower or from the seller of property to such borrower, including without limitation application fees and processing fees, shall not in their aggregate exceed one (1) percent of the mortgage amount, except as set forth in paragraph (e) hereof.

(e) A participating lender may recover certain expenses incurred in processing and closing a mortgage loan application in an amount not to exceed actual cost and not in excess of the maximum amount permitted by the mortgage insurer or guarantor. Such expenses include cash expenditure to pay for outside services rendered, such as appraisals, surveys, legal representation, credit report, and other items approved in writing by the Authority.

(f) The Authority may transfer funds to a participating lender from whom a mortgage loan has been purchased prior to the receipt and acceptance of all required loan documents, subject, however, to the provisions set forth in section III, A-33 entitled "Repurchase Requirements" of these procedures.

(g) Not later than one hundred twenty (120) days after the closing of a mortgage loan, the participating lender shall forward the complete loan purchase package to the Authority containing all documents required by the Homebuyer Mortgage Program Operating Manual and the Master Commitment Agreement for Mortgage Purchases. Extensions may be granted by the Authority, in its sole discretion, only upon written request from the participating lender. The Authority may require the repurchase of any loan if its loan purchase package is not received within 120 days after the closing and no extension has been granted. A participating lender's responsibility to submit a loan purchase package will not be relieved by the fact that a different lender will be handling the servicing of the loan in question.

A-31. Loan Servicing

Participating lenders which do not service the Authority's mortgage loans shall deliver all documents and information concerning such loans not required to be submitted to the Authority after the closing of such loans to a servicer designated by the Authority, or if there is no designated servicer, to the Authority. All servicing shall be carried out under the terms of the Home Mortgage Servicing Agreement.

A-32. Assumptions

(a) The standards for assumption of the Authority's loans depend upon the type of mortgage insurance or guaranty used and the date upon which the loans were originally committed for purchase. These standards are as follows:

- (1) loans committed prior to January 1, 1982;
 - A) FHA-insured and VA-guaranteed loans may be assumed pursuant to applicable federal requirements, without the prior consent of the Authority. Servicers are responsible for ensuring compliance with such federal requirements. Following the assumption, the servicer shall furnish the Authority copies of the recorded warranty deed and assumption agreement, as well as evidence of adequate hazard insurance coverage.
 - B) PMI loans are assumable only with the prior written consent of the Authority. Both the property and the assuming buyer(s) must meet the standards for eligible borrowers/dwellings as are then in effect. In order to obtain the Authority's consent, the servicer shall forward a request for approval of assumption on forms provided by the Authority, together with such underwriting documents as are set forth in the Homebuyer Mortgage Program Operating Manual. Following the assumption, the servicer shall furnish the Authority with the original recorded assumption agreement, a copy of the warranty deed,

an original Owner- Occupancy Certificate, executed by the assuming buyer(s), a PMI endorsement naming the assuming buyer(s), evidence of hazard insurance coverage, and the HUD Form 1 (RESPA).

- (2) assumption of loans committed after January 1, 1982:
 - A) The prior consent of the Authority is required for the assumption of all loans, regardless of the form of mortgage insurance or guaranty. Such consent may be granted only upon the property's and the assuming buyer's qualifying as an eligible dwelling and an eligible borrower, respectively, according to those standards in effect at the time. The servicer shall forward such documentation to the Authority as is required for approval of new loans.
 - B) VA loans are assumable only if a copy of the Veteran's Consent Statement, as required by 36 CFR Sec. 36.4306 (a) & (e), is on file with the Authority. PMI loans require the assuming buyer(s) to obtain the PMI company's written approval of the assumption.
 - C) Following the assumption, the servicer shall provide the Authority with such documentation as is required by the Homebuyer Mortgage Program Operating Manual.

(b) The servicer may charge the assuming buyer a fee equal to one percent (1%) of the loan's outstanding principal balance at the time of the assumption, except for those loans which are assumable without the Authority's prior consent. In no event shall the fee charged exceed the maximum permitted by the mortgage insurer or guarantor.

(c) The Authority will not release any original borrower from liability following the assumption of a loan. Any provision to the contrary in an assumption agreement is void.

A-33. Repurchase Requirements

Upon a participating lender's failure to comply with reasonable requests from the Authority to correct or complete documentation for any loan purchase package or upon other breach of the terms of the Master Commitment Agreement for Mortgage Purchases, or any failure to comply with the requirements for eligibility set forth in the Homebuyer Mortgage Program Operating Manual (which failure is to be determined in the sole discretion of the Authority) without regard to whether the participating lender may be at fault, the mortgage will be re-assigned to the lender. Lender shall repurchase the mortgage loan as provided under the terms of the Master Commitment Agreement for Mortgage Purchases.

A-34. Rehabilitation Mortgage Loans

The Authority may make funds available for rehabilitation mortgage loans. Such loans shall meet the requirements of Section 4 of the Homebuyer Mortgage Program Operating Manual. Processing of and eligibility for rehabilitation Mortgage loans shall be the same as for regular home mortgage loans, except as set forth in the aforementioned.

A-35. Retention of Records; Inspection of Books

Any documents required by these procedures or by state or federal law in connection with the commitment to purchase, purchase, or servicing of an Authority mortgage loan and not delivered to the Authority shall be retained by a participating lender for at least two (2) years after the date of purchase by the Authority of the mortgage loan, or such longer period as may be required by law, and, if requested by the Authority, for a reasonable period thereafter. If during such retention time the Authority requests original or certified copies of such documents, the same shall be delivered to the Authority. Where appropriate, such documents may be kept on microfilm, microcard, or other similar photographic media.

Participating lenders shall make all records and books maintained in connection with the Authority mortgage loans available for inspection by the Authority upon request during reasonable business hours.

The Authority may, at its option, reconvey a mortgage loan to the participating lender that assigned said loan to the Authority if such lender has failed to retain documentation as required herein, and such lender shall pay to the Authority the unpaid principal balance, all accrued and unpaid interest, and any other amounts due.

A-36. Records of Declined Applications

Participating lenders shall maintain accurate records for each Authority mortgage loan application which is declined. If any such records are requested by the Authority, they must be delivered promptly upon receipt of the request therefor.

A-37. Homeownership Program

The Authority may finance mortgage loans for eligible tenants of public housing receiving public rental assistance, or persons with disabilities receiving living support services from the Department of Developmental Services. The interest rate will be determined by the Executive Director; this interest rate will be lower than the regular Homebuyer Mortgage Program interest rate. Qualified persons under this program must attend pre-purchase counseling. Other eligibility and underwriting requirements will follow the Authority's regular Homebuyer Mortgage Program guidelines.

A-38. Insurance Fund Program

The Authority generally requires that each home mortgage loan be insured pursuant to Sections III A-24, A-25, and A-26 hereof. Most loans are insured through FHA, VA, RDA, or PMI. However, where mortgage insurance is not available through the above-mentioned mortgage insurers, the Authority may permit certain loans to be insured through its own Insurance Fund. The loan to be insured must meet the requirements of the Authority Homebuyer Mortgage Program Operating Manual and the Authority's Insurance Fund Operating Manual.

Single Family
Homebuyer Mortgage Program
Revised: 2/24/22
Adopted: 4/28/22

B. REVERSE ANNUITY MORTGAGE PROGRAM

B-1. Introduction

The reverse annuity mortgage ("RAM") loan program allows low and moderate income Connecticut elderly citizens to use the equity in their homes to provide a monthly cash payment for a term of years. By this means, the elderly homeowners obtain sufficient income to enjoy and maintain their homes for an indefinite period of time.

B-2. Eligibility

An applicant shall be eligible for a RAM loan if the applicant:

- (a) has an annual aggregate household income not in excess of the limit set by the Authority;
- (b) is 70 years of age or older; and
- (c) is the owner of an eligible home.

An applicant's aggregate household income shall include the income of all adult members of the household, other than full-time students, during the prior year.

A RAM loan must be secured by a mortgage on an eligible home located in the State of Connecticut. An eligible home may be a building consisting of one to four family dwelling units or may be an owner-occupied unit of a common interest community.

B-3. Application Process

(a) The applicant submits a preliminary application to the Authority, or to the State Department of Social Services, which application is forwarded to the Authority.

(b) A representative of the Authority will meet with the applicant to complete the application and determine eligibility.

(c) The Authority arranges for an appraisal of the home.

(d) The Authority notifies the applicant of the final determination as to eligibility.

B-4. Terms and Conditions

(a) Each RAM loan shall be secured by a valid lien on the mortgaged property. Such property shall be free and clear of all prior encumbrances and liens except as approved by the Authority, and no rights may be outstanding that could give rise to such prior liens.

(b) The promissory note, mortgage deed and other instruments securing a RAM loan shall create 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.

(c) The borrower shall receive monthly installment payments on the first day of each month during the term of the RAM loan.

(d) The principal amount of each RAM loan shall not exceed seventy (70%) percent of the appraised value of the mortgaged property. Also, said principal amount shall not exceed the maximum loan amount as determined by the Authority. The minimum RAM loan amount shall be twenty-five thousand dollars, or such other amount as the Authority may determine.

(e) A RAM loan shall obligate the borrower to keep the mortgaged premises in good repair and condition, and maintain hazard insurance.

(f) The borrower must occupy the home as his principal residence.

(g) Each RAM loan shall be insured by a mortgagee's title insurance policy, in form and content, and issued by a company acceptable to the Authority.

B-5. Long Term Care

Long Term Care ("LTC") describes a wide range of medical and supportive services provided to individuals who have lost some or all capacity to function on their own due to a chronic illness or condition. The Authority may from time to time modify the RAM program to benefit applicants with LTC needs.

C. “RESERVED FOR FUTURE USE”

Single Family
Revised: 08/29/13
Adopted: 10/31/13

D. RESIDENTIAL MORTGAGE REFINANCING GUARANTEE PROGRAM

D-1. Introduction

In accordance with Public Act 93-308 there is established a "Residential Mortgage Refinancing Guarantee Program." The purpose of this program is to provide guarantees to mortgagees where refinancing mortgage lending would be possible but for the decline in value of the mortgaged property. According to the Act it is found beneficial and in the public interest that the State extend such mortgage loan guarantees to mortgage lending institutions in such circumstances. This program is to be administered by the Authority separately from its other mortgage lending program for low and moderate income households. Payment on the mortgage loan guarantees are not, in whole or in part, an obligation of the Authority. Payment due pursuant to any refinancing mortgage loan guaranteed in accordance with these procedures is a liability of the "Residential Mortgage Refinancing Guarantee Fund."

D-2. "Residential Mortgage Refinancing Guarantee Fund"

There shall be established a "Residential Mortgage Refinancing Guarantee Fund" (hereafter "the Fund") for the purposes of the program for mortgage refinance guarantees established by Public Act 93-308. The assets and liabilities of the Fund are not the assets and liabilities of the Authority.

D-3. Fees and Expenses

The Authority shall determine reasonable and customary expenses for the purposes of this program.

D-4. Final Authorization

No mortgage guarantees provided under these procedures are valid unless signed by the Executive Director or his designee.

D-5. Public Notice

The Authority shall provide public notice of the availability of mortgage loan guarantees.

D-6. Non-Discrimination

Mortgage lending guaranteed by this program shall be in compliance with all applicable Federal and state statutes regarding non-discrimination and Fair Housing.

D-7. Eligible Mortgagees

Eligible Mortgagees are those financial institutions licensed or chartered by the State or Federal government to originate home mortgage loans in the State of Connecticut that have executed a "Master Agreement for Refinancing Mortgage Guarantee" (hereafter "Master Agreement") with the Authority.

Such Master Agreements shall identify the terms and conditions of the refinancing mortgage loan guarantees and the rights and responsibilities of the Authority and the mortgagees.

D-8. Underwriting Criteria and Guidelines

Underwriting criteria and guidelines applied by the Mortgagee on loans for which guarantee is sought shall be those generally applied industry standards for refinancing mortgages to determine mortgagor ability, intent and willingness to repay and shall be acceptable to FNMA, or other secondary market purchaser as may be appropriate. These criteria and guidelines shall be described and incorporated into the Master Agreement by reference in a form therein described by the Authority. The Mortgagee shall certify in each application that the underwriting criteria therein applied are those generally applicable underwriting guidelines so referenced.

D-9. Mortgagee Certification

Each application from the Mortgagee shall contain, in a form prescribed by the Authority, a certification that the loan for which guarantee is sought would be approved for a refinancing mortgage by the Mortgagee but for the value of the mortgaged property being insufficient to support applicable loan to value requirements.

D-10. Appraisals

Each application from the Mortgagee shall contain a current appraisal satisfactory to the Authority as may be further described in the Master Agreement. Appraisal standards applied therein shall be those generally applied industry standards for such home mortgage refinancing and shall meet secondary market requirements as may be further defined by the Authority. These standards shall be referenced in the Master Agreement in a manner therein described by the Authority and the appraiser shall certify in each application that the appraisal standards therein applied are such standards.

The Authority reserves the right to review appraisals submitted in the application and claims process. Appraisals involving substantial discrepancies, materially misstated facts, participation in fraudulent transactions or negligence are unacceptable. In cases where the appraisal is deemed unsatisfactory a new appraisal may be ordered by the Authority.

D-11. Selection of Appraiser

The appraiser shall be selected by the Mortgagee in accordance with criteria that may be further defined in the Master Agreement with regard to appraiser qualifications.

D-12. Fees and Expenses

Mortgagees may charge mortgagors for those fees and expenses that would have been charged to any applicant for refinancing mortgages through the mortgagee including an application fee, credit report costs, appraisal fee, attorney fees and mortgage discount points. Such mortgagee fees and expenses shall be incorporated by reference in the Master Agreement in a form therein described by the Authority and as may be amended by the Mortgagee at its discretion. In each application the Mortgagee shall certify that the fees and expenses are no greater than those charged to any applicant for a refinancing mortgage through the Mortgagee. As required by the Authority, Mortgagees shall

collect on behalf of and remit to the Authority any fees and charges required in connection with this program.

D-13. Title Insurance

Each application must evidence a valid title insurance policy satisfactory to the Authority.

D-14. Guarantee Limitations

Resources available to honor loan guarantees are those made available by the State of Connecticut as authorized through P.A. 93-308.

The Mortgagee shall certify and agree that guarantees provided through the Master Agreement are not obligations of the Authority, either general or limited.

D-15. Certificate

Upon approval the Mortgagee shall receive a certificate evidencing the terms and conditions of the guarantee coverage.

D-16. Secondary Markets

Mortgage guarantees provided shall, to the maximum extent feasible, incorporate terms and conditions acceptable to secondary market purchasers.

D-17. Mortgagee Reporting

The Mortgagee shall file with the Authority such reports regarding servicing, defaulted loans and their status as the Authority may require.

D-18. Retention of Records

The Mortgagee shall retain such records in a form and for a duration as the Authority may at its discretion require in the Master Agreement. Failure to so maintain such records may result in the invalidation of any guarantees based on such records.

D-19. Mitigation of Loss

Upon delinquency the Mortgagee shall use its best efforts to reduce losses to the Mortgagee and to the Guarantee Fund including counseling, appropriate modifications to payment schedules or early sale of the property. In the case of an early sale of the property the Authority may request current financial data on borrowers, property inspections and appraisals.

D-20. Acquisition of Title

Upon the failure of efforts to mitigate loss the Mortgagee must obtain marketable title to the property as a prerequisite to filing a claim. Title may be obtained either by foreclosure or by voluntary conveyance. In any case the Mortgagee must agree to assign to the Authority any rights of recovery against the borrower, including the right to receive a deficiency judgment, which may not be adversely effected by the Mortgagee.

D-21. Claim for Loss

To avoid a waiver of coverage a claim for loss must be filed within 60 days of acquiring marketable title unless otherwise authorized in writing by the Authority. The Mortgagee must be in physical possession and control of the property. The amount payable to the Mortgagee is determined by subtracting the net proceeds of the sale from the total claim up to the amount of the guarantee. In the case where the property is not sold within 60 days of acquiring title, the Mortgagee shall submit a claim for loss. The Guarantee Fund shall either pay the full amount of the claim and the mortgage balance and acquire title to the property, or pay a percentage of the full claim as may be further defined in the Master Agreement with title remaining with the Mortgagee.

D-22. Sale of Property Prior to Claim

The Mortgagee must obtain prior written approval of the sales price, terms and conditions of all offers received prior to claim settlement. If prior approval of the sale is not obtained, a claim for loss cannot be submitted.

D-23. Claim Amount

The amount of any claim shall be the sum of the following: unpaid principal balance, accrued interest at the contract rate to the date of claim, reasonable attorney and trustee fees. The following additional items may also be included in the claim on terms as may be further defined in the Master Agreement: property taxes, special assessments, condominium or other common-element fees, hazard insurance premiums, preservation expenses, and other expenses associated with proceeding to acquire title. As may be further defined in the Master Agreement the following must be deducted from any claim: any rental or other such payments derived from the property, remaining escrow balances, any cash that the mortgagee may hold as security against the mortgage, amounts received under any fire or extended coverage insurance policies or any other funds available to reduce the Mortgagee's exposure.

D-24. Required Exhibits

In support of any filing for claim for loss the Mortgagee shall supply to the Authority any exhibits as may further defined in the Master Agreement including but not limited to the following: warranty deed, evidence of marketable title, mortgage loan history, closing statements, receipts for all disbursements, tax bills, mortgage note, and evidence of payment of condominium fees.

D-25. Eligible Borrowers

Are those owner-occupant Mortgagors applying for refinancing mortgages who could be approved by the Mortgagee for such financing but for the value of the mortgaged property being insufficient to support applicable loan to value requirements.

D-26. Eligible Property

Are one, two and three family homes, units in a common interest community located in Connecticut for which the Mortgagor retains marketable title.

D-27. Eligible Mortgages for Refinancing

Are those mortgage deeds or other instruments which may constitute a first or consensual second lien on eligible property.

D-28. Eligible Mortgages for Guarantee

Are those first mortgage deeds or other instruments which constitute a first or second consensual lien on eligible property which meet other terms and conditions as may be further defined in the Master Agreement.

D-29. Guarantee Amount

The guarantee amount is the maximum amount necessary to retire the current first mortgage and consensual second liens not to exceed the difference between 125 and 80 percent of appraised value or \$100,000 whichever is less.

D-30. Application

Shall be made by eligible mortgagees in a manner and form as may be satisfactory to the Authority and further described in the Master Agreement. All information provided to the Authority pursuant to an application for mortgage loan guarantee shall subject the Mortgagor to penalty for false statement. Applications shall provide notice that the termination of coverage and prosecution are penalties for false statement.

D-31. Review by the Mortgagee

Before submission of the application package to the Authority the applicant Mortgagee shall review all materials for accuracy and completeness. The application and relevant exhibits shall be signed by an officer of the Mortgagee empowered to make such application and certifications.

D-32. Authority Review and Determination

No refinancing mortgage loan guarantee provided shall be valid until final approval by the Authority. The Authority shall render decision on each application after receiving a complete application from

the Mortgagee. Such decisions shall be rendered by the Authority at its sole discretion based on the Act, these procedures and the terms of the Master Agreement.

D-33. Appeal of Authority Determination

Upon disapproval of the Mortgagee's application for mortgage refinance guarantee the applicant is entitled to an appeal to the Authority within 5 business days. The determination of such an appeal will be final.

D-34. Program Fees

The Mortgagor shall pay to the Authority the required fee to 2 percent of the guarantee amount at closing and .5 percent of the amount of the guarantee annually payable monthly.

E. EMERGENCY MORTGAGE ASSISTANCE PAYMENT PROGRAM

E-1. Introduction

The "Emergency Mortgage Assistance Payment Program," (the "Program") authorized by Connecticut General Statutes Sections 8-265cc through 8-265kk as amended (the "Act"), provides for mortgage assistance payments on behalf of Eligible Mortgagors to Mortgagees for a period of up to sixty months from the initial payment in order to maintain the Eligible Mortgagor(s) as current and in good standing in accordance with mortgage terms and conditions. Assistance provided on behalf of the Eligible Mortgagor(s) is an obligation of the Eligible Mortgagor(s). Repayment of this assistance is in the form of a mortgage secured by the Eligible Mortgagor's real property. The Authority is administering this Program. Payments pursuant to the Program to the Mortgagee are not a general or limited obligation of the Authority. The Authority may contract for services pursuant to its responsibilities under the Act relative to application processing, mortgagor counseling, mortgagor recertification or other activities the Authority deems appropriate. All amounts received by the Authority in repayment of Emergency Mortgage Assistance provided hereunder shall be deposited in such accounts as the Authority may establish or identify for such purpose, and be used for the purposes of the Program.

“Emergency Lien Assistance Payments”

Effective as of October 1, 2021, the Program is expanded to provide emergency lien assistance payments to “Homeowners” within available funds and in accordance with Public Act 21-101. As set forth in Public Act 21-101:

a “Homeowner” is defined to mean an owner-occupant of a one-to-four family owner-occupied residential real estate property located in the State (including, but not limited to, a single-family unit in a common interest community).

a “Lien” is defined to mean a debt secured by a lien on a one-to-four family owner-occupied residential real estate property located in the State (including, but not limited to, a single-family unit in a common interest community) pursuant to Connecticut General Statutes: Section 7-239 (Municipal Waterworks Systems), Section 7-254 & Section 7-258 (Municipal Sewerage Systems), Section 47-258 (Common Interest Community Association Assessment), or Chapter 205 (Municipal Tax Liens).

a “Lienholder” is defined to mean the original lienor of a Lien, or its agents, successors or assigns.

Notwithstanding anything to the contrary set forth in these Procedures, eligibility for, and administration of, emergency lien assistance payments under the Program shall be as provided in accordance with Sections III(E-1) through Section III(E-6) of the Procedures, except to the extent set forth, or more particularly described, in Section III(E-7) below.

E-2. Definitions

(a) "Aggregate Family Income" means the total income of persons residing in the same household as the Eligible Mortgagor(s) and any other resident of the household declared by the Eligible Mortgagor(s) as a dependent for federal tax purposes, from whatever source derived, including, but not limited to, pensions, annuities, retirement benefits and Social Security benefits, provided the Authority may exclude from income (1) reasonable allowances for dependents, (2) reasonable allowances for medical expenses, (3) all or any part of the earnings of gainfully employed minors or family members other than the chief wage earner, (4) income not regularly received, and (5) such other expenses as the Authority may allow. The Authority may make such adjustments relative to the determination of financial hardship and/or the terms of repayment by the Eligible Mortgagor(s). Allowable adjustments to income will be periodically approved by the Executive Director, described in Authority administrative memoranda, uniformly applied to all applicants and may be periodically revised at the discretion of the Authority.

(b) "Housing Expense" means the sum of the Eligible Mortgagor's monthly maintenance expenses in a common interest community, utility expense, heating expense, hazard insurance payment, taxes and required mortgage payment, including escrows, and costs arising from uninsured damage to the mortgaged property which affects livability and necessitates repairs associated with the Eligible Mortgagor's primary residence only.

(c) "Financial Hardship due to circumstances beyond the Mortgagor's control" means a significant reduction of Aggregate Family Income or increase in expenses which reasonably cannot be or could not have been alleviated by the liquidation of Mortgagor Assets as determined by the Connecticut Housing Finance Authority including, but not limited to, a reduction resulting from (A) (i) Unemployment or underemployment of one or more of the Eligible Mortgagor(s); (ii) A loss, reduction or delay in receipt of such federal, state or municipal benefits as Social Security, supplemental security income, public assistance and government pensions; (iii) A loss, reduction or delay in receipt of such private benefits as pension, disability, annuity or retirement benefits; (iv) Divorce or a loss of child support, alimony, or maintenance payments; (v) Disability, illness or death of an Eligible Mortgagor; or (B) (i) a significant increase in the dollar amount of the periodic payments required by the mortgage; (ii) an unanticipated rise in housing expenses; or (iii) Expenses related to the disability, illness or death of a member of the Eligible Mortgagor's family, but does not include expenses related to the accumulation of credit or installment debt incurred for recreational or nonessential items or purposes prior to the occurrence of the alleged circumstances beyond the Eligible Mortgagor's control in an amount that would have caused the Eligible Mortgagor's total debt service to exceed sixty per cent of Aggregate Family Income at that time.

(d) "Mortgagor Assets" means (1) the sum of the household's savings and checking accounts, market value of stocks, bonds and other securities, other capital investments, pensions and retirement funds valued in an amount greater than one hundred thousand dollars, personal property and equity in real property including the subject mortgaged property. Income derived from family assets shall be considered as income. Equity is the difference between the market value of the property and the total outstanding principal of any loans secured by the property and other liens and (2) lump-sum additions to family assets such as inheritances, capital gains, insurance payments included under health, accident, hazard or worker's compensation policies and settlements, verdicts or awards for personal or property losses or transfer of assets without consideration within one year of the time of

application. Pending claims for such items must be identified by the Eligible Mortgagor as contingent assets.

(e) “Consumer Credit Counseling Agency” means a nonprofit corporation or governmental agency located in this state which has been designated by the Authority to provide homeowners’ emergency mortgage assistance program counseling. A qualified consumer credit counseling agency must either be certified as a housing counseling agency by the federal Department of Housing and Urban Development or otherwise determined accepted by the Authority.

(f) “Foreclosure Mediation Program” means the foreclosure mediation program established by the Act.

(g) “Periodic Payments” means principal, interest, taxes, insurance and, if applicable, condominium fees.

E-3. Eligibility

(a) “*Eligible Mortgagors*” are those owner occupants of one-to four-family, homes or a unit in a common ownership interest community in the State of Connecticut who are, as a result of financial hardship due to circumstances beyond the Eligible Mortgagor's control, sixty days or more delinquent on an Eligible Mortgage, or anticipates that he or she will be sixty days or more delinquent on an Eligible Mortgage based on financial hardship beyond such mortgagor’s control, provided the Authority determines that such mortgagor will be so delinquent upon review of facts and circumstances provided by the Mortgagor or have received a notice from a Mortgagee of intent to foreclose or is delinquent on charges, assessments and fees associated with a condominium or common interest community or taxes provided the taxing authority or unit owner association has indicated to the mortgagor its intention to foreclose as provided in section 8-265ee. As part of the application process, the Authority may refer the applicant to a counseling agency approved by the United States Department of Housing and Urban Development.

(b) Eligible Mortgages: are those mortgage deeds or other instruments which constitute a first or a second consensual lien on the primary residence of Eligible Mortgagors (including, without limitation, a reverse mortgage or a home equity conversion mortgage).

(c) Mortgagors who filed emergency mortgage assistance applications on and after July 1, 2008 who did not receive emergency mortgage assistance may re-apply. Mortgagors may apply or reapply for emergency mortgage assistance if such mortgagor is referred to the emergency mortgage assistance program by the foreclosure mediation program.

E-4. Application Process

(a) Notification of Availability of Funds: The Authority shall provide written notice of the availability of funds to Eligible Mortgagors through a statewide advertising campaign.

(b) Notification of Eligible Mortgagor(s): the Mortgagee shall provide written notice to the address of the property secured by the Eligible Mortgage, through Registered, or Certified Mail-Postage Pre-paid, to any Eligible Mortgagor contractually delinquent, against whom it desires to foreclose upon an Eligible Mortgage, that

- (1) the Authority is currently accepting applications;
- (2) informs the Eligible Mortgagor(s) that within 60 days from the date of such notice the Eligible Mortgagor(s) must have a face-to-face meeting, telephone conference or other conference with the Mortgagee or a face-to-face meeting with a consumer credit counseling agency designated by the Authority to attempt to reach an agreement to resolve the delinquency or default, and, if such efforts are unsuccessful, to contact the Authority during such 60-day time period in order to apply for Emergency Mortgage Assistance;
- (3) describes the Mortgagee's deferral of action in pursuit of foreclosure or judgment, pursuant to the Act, from the date until (i) the Eligible Mortgagor(s) and Mortgagee reach an agreement to resolve the delinquency or default, (ii) the Authority reaches a determination regarding the Eligible Mortgagor's application for Emergency Mortgage Assistance, or (iii) at any time following the conclusion of 30 calendar days from the Mortgagee's provision of the notification described in this subsection, if the Eligible Mortgagor(s) have neither reached an agreement with the Mortgagee to resolve the delinquency or default nor submitted a completed application to the Authority for Emergency Mortgage Assistance during such 30 calendar days.
- (4) describes the consequences of the Eligible Mortgagor's failure to meet or confer with the Mortgagee except in cases in which the mortgagee refuses to meet with the mortgagor or the designated consumer credit counseling agency to attempt to resolve the delinquency or default, comply with the terms of any such agreement pursuant to the Act to resolve delinquency or default, or contact the Authority to apply for Emergency Mortgage Assistance within thirty days of any default in payment under an agreement to resolve the delinquency or default;
- (5) informs the Eligible Mortgagor(s) that the application for or the award of Emergency Mortgage Assistance affects mortgagor recourse to benefits under section 49-31f of the General Statutes relative to the rights of underemployed and unemployed homeowners.

Should funds no longer be available to provide Emergency Mortgage Assistance, the Authority shall notify Mortgagees and will suspend accepting applications. Upon receipt of such notice, Mortgagees will not be required to provide the Notification of Eligible Mortgagor(s) described in this Subsection.

(c) Mortgagor Application for Emergency Mortgage Assistance:

- (1) Upon contacting the Authority as described in Subsection b.2. above the Eligible Mortgagor(s) will be informed how to apply for Emergency Mortgage Assistance and may be directed to the Authority's agent to make such application.

- (2) Applications for Emergency Mortgage Assistance shall be filed on forms provided by the Authority. The Mortgagor shall complete and sign the application subject to the penalty of false statement under Connecticut General Statutes Section 53a-157b.
- (3) Upon receipt of an application for Emergency Mortgage Assistance, the Authority will notify the Eligible Mortgagor(s) of the receipt of such application, and shall not later than eight business days after the date of receipt of such application notify all of the Mortgagees listed on the Eligible Mortgagor's application holding a mortgage on the Eligible Mortgagor's primary residence.
- (4) Determination on the Eligible Mortgagor's application will be made within 30 calendar days of receipt of a completed application by the Authority or its agent.
- (5) The Eligible Mortgagor(s) shall provide all information and supporting exhibits to the Authority or its agents that the Authority may require as necessary to make a determination regarding the Eligible Mortgagor's application. Failure to provide such required information in a timely manner within the 30-day application period shall be grounds for rejection. Rejection for incomplete application will be documented in writing to the applicant indicating specific deficiencies.
- (6) The Eligible Mortgagor(s) shall provide such information as the Authority may require relative to:
 - (A) financial hardship due to circumstances beyond the Mortgagor's control;
 - (B) Aggregate Family Income;
 - (C) Housing Expense;
 - (D) Mortgagor assets and liabilities;
 - (E) current mortgage insurance;
 - (F) place of principal residence;
 - (G) previous receipt of Emergency Mortgage Assistance;
 - (H) residential mortgage payment history;
 - (I) current mortgage statement evidencing the interest rate and payment increase; and
 - (J) length of time the mortgagor has lived in the home.
- (7) Upon failure of the Eligible Mortgagor(s) to submit a completed application to the Authority or its agent within 60 days from the date of the Notification of Eligible Mortgagor(s) by the Mortgagee described in subsection (b), above, or if the Eligible Mortgagor's application for emergency mortgage assistance payments is not approved within 30 days of the receipt by the Authority of the Eligible Mortgagor's completed application, the Mortgagee, at any time thereafter, may pursue foreclosure without further restriction or requirement, in accordance with the Act.

(d) Participation in Foreclosure Mediation Program required: Eligible Mortgagors who have applied for Emergency Mortgage Assistance where a mortgagee has commenced foreclosure are required to participate in the Foreclosure Mediation Program as part of the application process.

E-5. Determination and Award

(a) Upon receipt of a completed application, the Authority will make a determination at its sole discretion and judgment whether:

- (1) the Eligible Mortgagor(s) is (are) suffering from financial hardship due to circumstances beyond the Eligible Mortgagor's control based on the Authority's assessment of the Eligible Mortgagor's employment history, credit history, past and present income, assets, liabilities, total debt service, net worth, eligibility for other types of assistance, length of time the mortgagor has lived his or her home and other factors as the Authority may determine to be relevant including, but not limited to, documentation of unanticipated increases in housing expense such as monthly mortgage loan statements or other written communication from the mortgagor's lender demonstrating increases in mortgage interest rate and/or payment or increases in required escrow payments; copies of tax bills; statements from utility providers or other documentation satisfactory to the Authority regarding the increase in expense. In determining whether credit or installment debt was incurred for recreational or nonessential items, the Authority may consider the type of debt, the date it was incurred, the total obligation and monthly repayment terms and may review billing statements or other documentation related to the creation of the obligation;
- (2) the Eligible Mortgagor(s) has (have) insufficient household income or net worth to correct the delinquency or delinquencies within a reasonable period of time and make full mortgage payments;
- (3) the Eligible Mortgagor(s) has (have) been fully discharged from any action of bankruptcy, provided the Authority shall not prohibit a Homeowner from participating in the Program solely on the basis that the Homeowner received a discharge of debt through a bankruptcy filing and did not reaffirm such debt;
- (4) there is a reasonable expectation that the Eligible Mortgagor(s) will be able to resume full mortgage payments on the original, modified or refinanced mortgage and to pay the Emergency Mortgage Assistance within a reasonable period of time under the terms and conditions of repayment under the Act.

(b) Determination regarding an application for Emergency Mortgage Assistance will be made by the Executive Director or his designee(s) based on the findings described in (a) above. Upon determination, the Mortgagee and the Eligible Mortgagor(s) will be notified in writing by certified mail within 2 business days.

(c) Applicants who are denied Emergency Mortgage Assistance may request a review of this negative determination. Such a review shall be made by an employee of the Authority other than the employee who denied the application. Applicants who request such a review shall provide the

Authority with information documenting a material change in the information provided in their application and supporting a change in the Authority's initial determination.

(d) Upon positive determination to award Emergency Mortgage Assistance, the Mortgagee shall receive notice which includes the date on which the Mortgagee will begin to receive Emergency Mortgage Assistance Payments in accordance with Emergency Mortgage Assistance Agreement and the amount of the initial and ongoing payments. The notice to the Mortgagee and the Eligible Mortgagor(s) shall indicate the amount, terms and conditions of the Emergency Mortgage Assistance and the Eligible Mortgagor's monthly payment to the Authority.

(e) Upon positive determination to award Emergency Mortgage Assistance, the Authority and the Eligible Mortgagor(s) will enter into a Mortgagor Assistance Agreement. Such Agreement will establish the particular terms and conditions of assistance and repayment in accordance with the Act.

E-6. Loan Terms and Conditions

(a) **Mortgagor Payment:** while the Authority is making Emergency Mortgage Assistance Payments to the Mortgagee, and while the Eligible Mortgagor(s) is (are) required to repay such Assistance, the Eligible Mortgagor(s) shall make payment to the Authority in accordance with the Act and the Mortgagor Assistance Agreement. If the Eligible Mortgagor(s) completes payment on a second or more junior mortgage while the Emergency Mortgage Assistance Loan remains unpaid, the Authority reserves the right to require that the Eligible Mortgagor make monthly payments to the Authority in the amount of the monthly payment previously made on the second or more junior mortgage loan.

(b) **Repayment Term:** If the mortgagor's total housing expense, including projected repayments of emergency mortgage assistance, is greater than thirty-five percent of the mortgagor's aggregate family monthly income, repayment of the emergency mortgage assistance payments shall be deferred until such total housing expense including projected repayment of emergency mortgage assistance is less than or equal to thirty-five percent of such aggregate family income monthly.

(c) **Payment Schedule:** the Mortgagor Assistance Agreement shall provide for monthly payments to the Mortgagee(s) for no more than sixty (60) months, either consecutively or non-consecutively beginning on the date of the first Emergency Mortgage Assistance Payment, except no such payments shall be made after sixty months have passed since the date of the initial payment.

(d) **Interest Rate:** the Mortgagor Assistance Agreement shall provide for an interest rate to be charged on the outstanding balance which will be established by the Authority at the time of the closing of the Emergency Mortgage Assistance Loan. Interest shall accrue against the loan to the Mortgagor from the date on which the Eligible Mortgagor(s) is (are) required to commence repayment in accordance with the Agreement.

(e) **Periodic Recertification:** Eligible Mortgagor(s) shall, no later than the first anniversary of the award of Emergency Mortgage Assistance, certify their current Aggregate Family Income, assets and liabilities, and Housing Expense at that time in a manner and in a form prescribed by the Authority. The Authority may designate an agent to administer recertification requirements. The Authority reserves the right to request such recertification no more than three times in any twelve-month period.

(f) **Subsequent Liens:** Eligible Mortgagor(s) shall not enter into any lien agreements subsequent to execution of the Mortgagor Assistance Agreement without the prior written consent of the Authority.

(g) **Mortgagee Payment:** while the Mortgagee is due payment, such payment will be made in accordance with the Act and the Mortgagor Assistance Agreement.

(h) **Mortgagor Default:** in the case of Eligible Mortgagor default under the terms of the Mortgagor Assistance Agreement, the Authority shall review the facts and circumstances of the default and modify or terminate the Agreement in accordance with the terms of the Agreement and the Act.

E-7. Emergency Lien Assistance

(a) **General Eligibility.** A Homeowner may apply for emergency lien assistance in accordance with this Section E if such Homeowner: (i) has received notice of a Lienholder's intent to foreclose a Lien, (ii) is sixty (60) days or more delinquent on the debt secured by the Lien, or (iii) anticipates that he or she will be sixty (60) days or more delinquent on the debt secured by the Lien based on a financial hardship beyond such Homeowner's control, provided that the Authority determines that such Homeowner will be so delinquent.

(b) **Re-Application Eligibility.** In addition to the requirements set forth in this Section E of these Procedures, a Homeowner who has previously received lien assistance payment shall be eligible to reapply only if the Homeowner has brought the debt underlying the Lien current and the Homeowner is not delinquent on regular payments to the Lienholder for the tax, water, assessment or usage charges underlying the Lien for eighteen (18) consecutive months immediately following the date such debt is made current.

(c) **Forbearance Eligibility.** In addition to the requirements set forth in this Section E, a Homeowner who is also the borrower under a mortgage encumbering such real property may apply for Program assistance if the homeowner's mortgage is in forbearance.

(d) **Authority Lien Assistance Payment.** The Authority shall make emergency lien assistance payments directly to the Lienholder in an amount equal to the lesser of: (i) the full amount due and payable to the Lienholder under the Lien, or (ii) the full amount due and payable to the Lienholder under the Lien for the thirty-six (36) month period commencing on the date the first tax, water, assessment or usage charge underlying the Lien became due and payable. Such payment amount shall include and pay all arrearages and all reasonable costs and attorney's fees incurred by the Lienholder in connection with the foreclosure of the Lien.

(e) Homeowner Repayment. The amount of emergency lien assistance payments made by the Authority to the Lienholder shall be a loan in that amount made by the Authority to the Homeowner. Any such loan shall be evidenced and repaid in accordance with Section III(E-6) of this Section of the Procedures.

**Single Family
Emergency Mortgage Assistance Program
Revised: 9/30/21
Adopted: 11/18/21**

F. COMMON INTEREST COMMUNITY COMMON ELEMENT REPAIR LOAN PROGRAM

F-1. Introduction

Pursuant to Section 8-252 (o) of the Connecticut General Statutes, as amended by Public Act 93-125, the Authority may finance repairs to common elements of common interest communities upon a finding by the Board of Directors that such financing is not readily available and that it is appropriate and in the public interest.

F-2. Eligible Common Interest Communities

(a) A common interest community as defined in Section 47-202 (9) providing housing is eligible if:

- (1) it is approved for permanent mortgage loan financing by either FHA or the Authority;
- (2) it has no outstanding or unexercised development rights;
- (3) it is authorized pursuant to its organization documents to enter into the security agreements required herein;
- (4) it has been refused similar financing by two lending institutions within twelve months preceding the common interest community's application for the program;
- (5) no more than 10% of the units are owned by a single investor or developer and no more than 30% of the units are owned by investors;
- (6) 75% of the owner-occupants are low and moderate income families and persons as determined by the Authority;
- (7) management satisfactory to the Authority, provided that common interest communities with more than 50 units must have professional management satisfactory to the Authority.

and complies with the submission, underwriting and other requirements of these Procedures.

(b) Applications will not be accepted from entities or principals of entities or from principals affiliated with entities:

- (1) which have or have had nonperforming or delinquent loans with the State of Connecticut Department of Housing or the Authority or other governmental agencies or departments; or
- (2) have or have had outstanding tax delinquencies with the state of Connecticut or other governmental bodies; or

- (3) have been found to have misused governmental funds;

unless prior approval to submit an application is received from the Board of Directors of the Authority.

F-3. Eligible Repairs

Repairs eligible for financing under this program shall be limited to significant capital repairs of common elements, including but not limited to, roof or roadway repair or repairs to heating plants. Deficits in existing operating budgets are not eligible for financing.

F-4. Submission Requirements

(a) Eligible common interest communities must (i) complete a pre-application prior to submitting an application for financing, and (ii) submit an application for financing, including, but not limited to:

- (1) copies of all common interest community organization or governing documents such as the declaration and bylaws together with corporate organization and governing documents of any association as applicable.
- (2) evidence of authorization by the governing body of the common interest community to make the application.
- (3) a capital needs assessment study prepared by an entity approved by the Authority covering a minimum period of fifteen (15) years. The cost of the study shall be paid by the eligible common interest community and may be included in the financing to be provided, as determined by the Authority.
- (4) financial statements for the preceding three years together with projected and actual operating budgets, collection rates, increases in common charges and reserve levels prepared by an independent certified public accountant.
- (5) description of the repairs proposed for financing including preliminary cost breakdown.
- (6) income certifications of owner occupants.
- (7) description of mortgage indebtedness on common elements and individual units, including principal amounts, present balances and names and addresses of mortgagors and mortgagees.
- (8) appraisals of units representing each type or model. The cost of the appraisals shall be paid by the eligible common interest community and may be included in the financing to be provided, as determined by the Authority.
- (9) application fee as determined by the Authority.

(b) An environmental assessment prepared by an entity approved by the Authority will be required at loan closing.

A current certificate of good standing from the State of Connecticut will also be required at loan closing.

F-5. Underwriting Requirements

(a) Downpayment requirement

The common interest community shall demonstrate to the Authority's satisfaction that it can provide a minimum of 20% of the total cost of repair from either existing reserves and/or a special assessment.

(b) Debt Service Coverage Ratio

The minimum debt service coverage ratio permitted for Authority financing shall be 1.25 based on the net operating income after reasonable operating expenses including reserves have been deducted from all income derived from common charges and special assessments.

(c) Maximum Loan Amount

The maximum loan amount will be based on the lesser of:

- (1) up to 80% of the total uses as approved by the Authority. Such uses shall be limited to specific physical needs;
- (2) \$3,000.00 per unit;
- (3) the required debt service ratio;
- (4) the annual debt service divided by the applicable loan constant; or
- (5) \$200,000.00.

(d) Term

The loan term shall not exceed fifteen (15) years and will be amortized as determined by the Authority.

(e) Interest Rate

The interest rate for the loan will be determined by the Authority at the time funding for the loan is secured or allocated and shall be based on the Authority's costs incurred for bonds issued other than under the Authority's general bond resolution or other sources available to the Authority.

(f) Increase in Common Charges

The Authority shall set a limit on the amount by which the common charges may be increased in order to support the loan requested. This increase in fees relates in part to the amount these fees represent as a percentage of the unit's value. Fees may not be increased to a level higher than the Authority deems reasonable, and may not be lowered without the prior consent of the Authority.

(g) Collection Rate on Common Charges

The collection rate for common charges should be not less than 90% for the preceding twelve (12) months and remain at this level or higher at the time of loan closing.

F-6. Security

The Authority may require as security for any loan made pursuant to this program the assignment of the common interest community's right to future income, a mortgage on all or a portion of the common elements and/or a mortgage on the unit owners' interests individually.

F-7. Submission for Approval

(a) Upon review by Authority staff, applications determined to meet the requirements of the program are presented to the Mortgage Committee of the Authority for review and consideration. Applications approved by the Mortgage Committee are submitted to the Board of Directors for consideration.

- (1) If an application is accepted by the Board of Directors, a commitment for financing will be issued.
- (2) Common interest communities will be notified of any application that has been rejected.
- (3) The Authority will notify the applicant within 10 days if there is any deficiency in the application.

(b) The Authority will consider applications based on both the order of the application date and completeness.

F-8. Requirements Upon Approval

- (a) The Authority's commitment for financing may require:
- (1) commitment fee in an amount as determined by the Authority;
 - (2) title insurance acceptable to the Authority;
 - (3) opinion of counsel for the common interest community regarding legal matters affecting the financing;

- (4) construction contract and security for performance as required by the Authority;
- (5) such other matters as may be required by federal or state law or the Authority's Procedures.

**Single Family
Common Interest Community Common Element Repair Loan Program
Revised: 08/29/13
Adopted: 10/31/13**

G. DOWNPAYMENT ASSISTANCE PROGRAM (DAP)

G-1. Introduction

The DAP Program provides financial assistance in the form of second mortgage loans or second mortgage deferred loans to eligible homebuyers based on their financial needs to assist in the purchase or purchase and rehabilitation of a single family home.

G-2. Borrower Eligibility

Borrower eligibility for a DAP loan shall be the same as the eligibility criteria established in the Authority's Homebuyer Mortgage Program (Section III A), along with those criteria in this Section III G.

G-3. Occupancy, Eligible Dwellings

The criteria for owner occupancy and eligible dwellings shall be the same as the criteria established in the Authority's Regular Homebuyer Mortgage Program (Section III, A-6, A-15, A-19).

G-4. Terms & Conditions

(a) The Authority shall establish the terms and conditions of any loan provided in accordance with this program. In no case shall the term of the DAP loan exceed the term of the first mortgage loan. If the homebuyer under the program assigns, transfers or otherwise conveys his or her interest in such dwelling or ceases to occupy such dwelling, the unpaid principal balance of said loan together with interest thereon shall become due and payable. The Executive Director of the Authority, at his or her discretion, may adjust the interest rate, terms and conditions of any loan if he or she determines that the homebuyer is unable to repay the loan and the adjustment will facilitate repayment.

(b) The homebuyer shall obtain a commitment for an Authority first mortgage.

(c) The property shall meet the property standards of the Authority's Homebuyer Mortgage Program.

(d) Borrowers under the Authority's Homeownership Program shall be eligible for a DAP loan at a sliding scale interest rate based on their income, as determined by the Authority.

G-5. Closing Costs

(a) Closing costs may be included in the determination of the Downpayment assistance.

(b) Borrowers may request to utilize the DAP second mortgage loan solely to finance closing costs.

G-6. Underwriting

The Authority shall underwrite DAP loans in accordance with underwriting criteria established by the Authority and published in the Authority's Homebuyer Mortgage Program Operating Manual.

Single Family

Downpayment Assistance Program

Revised: 2/24/22

Adopted: 4/28/22

H. POLICE HOMEOWNERSHIP PILOT PROGRAM

H-1. Introduction

The Police Homeownership Pilot Program (the “Program”), authorized by Public Act No. 96-147, provides low interest loans to local and state police officers to encourage them to purchase and live in an eligible dwelling in certain designated neighborhoods located in the municipality by which they are employed. The Authority shall implement the Program as a pilot program in an amount not to exceed \$10,000,000. A purpose of the Program is to reduce crime by promoting an increased police presence in the community.

H-2. Borrower Eligibility

In order to be eligible for the Program, an applicant shall: (a) be a local police officer employed full or part time, or a state police officer, (b) certify funds are to be used to purchase real estate located in the municipality where they are employed, (c) take title in applicant’s name, (d) agree to make monthly loan payments for a period not to exceed thirty (30) years in accordance with the Authority’s Procedures, and (e) be in compliance with the eligibility requirements of the Authority’s regular Homebuyer Mortgage Program. In addition, an applicant receiving a downpayment assistance loan or a grant under the Program shall certify intent to own and reside in the dwelling for at least seven (7) years.

H-3. Eligible Dwelling

An eligible dwelling is a one, two, or three-family residence located in a “designated neighborhood”, which is an area designated by a municipality where there has been a high incidence of crime or where the municipality determines that increased police presence is needed. The dwelling must also comply with the requirements of the Authority’s regular Homebuyer Mortgage Program, including sales price limits.

H-4. Terms and Conditions

(a) Mortgage Loans pursuant to this Program shall generally be in compliance with the requirements of the Authority’s regular Homebuyer Mortgage Program, including but not limited to, residence, sales price, income limits, and three-year prior ownership, as applicable.

(b) The interest rate of the loans shall be the lowest practicable, as determined by the Authority, in order to create an incentive for applicants.

(c) The term of the mortgage loan shall be thirty (30) years.

(d) A borrower under the Program must reside in the mortgaged dwelling as a principal residence so long as the mortgage remains outstanding.

(e) Any applicant for a loan under the Program shall be eligible for a downpayment assistance loan pursuant to Section III H of the Authority’s Procedures, except that those provisions relating to household income and equity contribution shall not apply. Such loan shall

be for a term of years coterminous with the first mortgage loan under the Program. The interest rate will be as determined by the Authority.

(f) A local police officer must purchase an eligible dwelling in a designated neighborhood located in the municipality by which the officer is employed. A state police officer may purchase an eligible dwelling under the Program in any designated neighborhood so designated by any participating municipality.

(g) The Authority shall provide preference to those applicants under the Program who are purchasing in a municipality which has chosen to provide grants to applicants for closing costs pursuant to Public Act No. 96-147.

H-5. Participation of a Municipality

(a) Any municipality of the State of Connecticut with a population over 45,000 may elect to participate in the Program by resolution of its legislative body.

(b) A municipality that wishes to participate shall notify the Authority in writing of its election to participate in the Program.

(c) A participating Municipality shall designate one or more designated neighborhoods pursuant to Public Act No. 96-147 wherein a police officer may purchase an eligible dwelling pursuant to the Program.

(d) A participating municipality may provide grants to applicants to pay for reasonable and bona fide closing costs, as described in Section 36a-563(i) of the General Statutes. A municipality that chooses to provide such grants shall so notify the Authority in writing within a time period specified by the Authority.

(e) A participating municipality shall cooperate with the Authority in the administration of the Program.

**Single Family
Police Homeownership Pilot Program
Revised: 08/29/13
Adopted: 10/31/13**

I. LOAN FUND GUARANTEE PILOT PROGRAM

I-1. Introduction

Public Act No. 96-147 charged the Authority with developing a pilot program of revolving loans to developers in conjunction with existing private lending programs and private lenders. The loans will be made from the Community Development and Preservation Loan Fund (the “Fund”).

I-2. Eligible Property

(a) A loan to a developer from the Fund must be for a property that consists of one to four dwelling units.

(b) The property, once completed, must be eligible for financing under the Authority’s regular Homebuyer Mortgage Program.

(c) The property must be located in a municipality in the State of Connecticut that is eligible for a the Authority’s Downpayment Assistance Program (“DAP”) loan or be in a municipality that provides its own downpayment assistance program.

(d) The property must be located in a neighborhood which is included in a local rehabilitation initiative such as a neighborhood revitalization zone or similar municipally supported community development effort.

I-3. Eligible Developer

In order to obtain a loan from the Fund, a developer must demonstrate experience in undertaking similar projects. Eligible developers may include nonprofit housing corporations.

I-4. Application and Distribution

(a) The developer applies to the Fund, through a qualified originator, for a loan to acquire, and rehabilitate or construct an eligible property.

(b) The appropriate municipality must certify to the Fund and the Authority that the property is in an area designated for revitalization.

(c) An appraisal is performed to establish the present and as completed values of the property.

(d) The municipality must certify that sufficient funds are available and reserved for an eligible purchaser to cover the financing gap where the value of the property, upon completion, is less than the total development costs.

(e) The Authority certifies to the Fund that the property is qualified for the Authority’s lending under its regular Homebuyer Mortgage Program and that the required financing, including a DAP loan, is available for an eligible purchaser upon completion.

(f) Loans are originated by certain lenders approved by the Fund. The originator shall review the developer's application and make a recommendation to the Fund.

(g) Upon receiving an approval recommendation from a qualified originator, the loan approval committee of the Fund shall, upon review, approve or deny the application based upon the underwriting guidelines. If there are underwriting exceptions, any approval will be made by the Fund Board of Directors.

(h) Upon approval of the loan, the Fund then distributes the appropriate money to the originator for disbursement to the developer as construction progresses.

(i) The Authority and the Fund may establish criteria in regard to underwriting and development costs.

I-5. Guarantee

(a) In order to effectuate lending from the Fund, the Authority has determined that it may be necessary to issue guarantees to the Fund when the Fund lends to developers under the following conditions:

- (1) The developer has less than 15% equity; or
- (2) The total development costs exceed the as completed appraised value of the property, resulting in an appraisal gap.

(b) The total amount of outstanding guarantees to be issued by the Authority under the Program shall not exceed \$4,500,000 at any one time.

(c) The Authority shall have the right to charge a premium fee in such amount as the Authority shall determine when it issues a guarantee to the Fund.

(d) The guarantee for each approved loan shall be an amount equal to the loan amount minus eight-five (85%) percent of the as completed appraised value. The amount of the guarantee shall be established at the time of the closing of the construction loan.

(e) The guarantee coverage shall be provided from the Authority Mortgage Insurance Fund.

(f) The Authority shall issue such forms as it deems necessary to establish and administer the guarantee.

(g) Claims against the Authority guarantee shall be made in such manner and under such terms as the Authority shall determine.

I-6. Terms and Conditions

(a) The loans from the Fund shall be pursuant to such terms and conditions as the Authority and the Fund shall establish.

(b) The developer must provide at least five (5%) percent equity toward the total development costs of the property.

(c) No loan shall be approved wherein the development costs exceed 130% of the as completed appraised value of the property.

(d) The term of each construction loan from the Fund shall not exceed twenty four (24) months.

(e) The interest rate shall be as approved by and the Fund.

(f) The maximum loan amount for a property is \$200,000. The Fund may issue loan commitments up to a maximum of \$1,500,000 in total loans per borrower.

(g) The developer must sell the property to an Authority qualified borrower. The Authority shall provide financing to each qualified borrower in the form of a first mortgage and a DAP second mortgage. This end loan financing, in addition to a municipal appraisal gap loan where required, will pay off the construction loan.

(h) The municipality where the property is located must commit to provide financing to the individual purchaser of the property in an amount equal to the appraisal gap. Such financing shall be subordinate to Authority financing to the purchaser, shall have no regular payment associated with it, and shall be forgiven over time. The municipality will not look to the borrower personally for any deficiency on the appraisal gap financing.

**Single Family
Loan Fund Guarantee Pilot Program
Revised: 08/29/13
Adopted: 10/31/13**

J. RESIDENTIAL MORTGAGE REFINANCING GUARANTEE PROGRAM II

J-1. Introduction

In accordance with Public Act No. 99-262, there is established a "Residential Mortgage Refinancing Guarantee Program II". The purpose of this program is to provide guarantees to mortgagees where refinancing mortgage lending would be possible but for the decline in value of the mortgaged property. According to the Act, it is found beneficial and in the public interest that the State extend such mortgage loan guarantees to mortgage lending institutions in such circumstances. This program is to be administered by the Authority separately from its other mortgage lending programs. Payment on the mortgage loan guarantees is not, in whole or in part, an obligation of the Authority, but rather an obligation of the Fund described in Section 2 below.

J-2. "Residential Mortgage Refinancing Guarantee Fund II"

There shall be established a "Residential Mortgage Refinancing Guarantee Fund II" (hereafter "the Fund") for the purposes of the program for mortgage refinance guarantees established by the Act. The assets and liabilities of the Fund are not the assets and liabilities of the Authority.

J-3. Public Notice

The Authority shall provide public notice of the availability of mortgage loan guarantees, and a general description of the program.

J-4. Non-Discrimination

Mortgage lending guaranteed by this program shall be in compliance with all applicable Federal and state statutes regarding non-discrimination and Fair Housing.

J-5. Eligible Mortgagee

An Eligible Mortgagee is a financial institution licensed or chartered by the State or Federal government to originate home mortgage loans in the State of Connecticut that has executed a "Master Agreement for Refinancing Mortgage Guarantee" (hereafter "Master Agreement") with the Authority.

The Master Agreement shall identify the terms and conditions of the refinancing mortgage loan guarantees and the rights and responsibilities of the Authority and the Eligible Mortgagee.

J-6. Eligible Mortgagor

A Mortgagor is eligible to participate in the program subject to the following express conditions:

- (a) The Mortgagor is the owner-occupant of Eligible Property.
- (b) The Mortgagor occupies the Eligible Property as a primary residence, and must continue such occupancy for five (5) years after the date of the refinancing.

(c) The Eligible Mortgage was placed on Eligible Property between January 1, 1986 and December 31, 1992.

(d) The Eligible Mortgage has a current loan to value ratio of no more than one hundred twenty-five (125%) percent.

(e) The Mortgagor shall have no second mortgage on the Eligible Property, except a second mortgage where repayment is waived after a certain period of time has elapsed.

(f) The Eligible Mortgage is insured by private mortgage insurance.

(g) The household income of the Mortgagor shall not exceed one hundred twenty percent of the state median income.

(h) The Mortgagor must have been current on the payments on the Eligible Mortgage for the most recent twenty-four month period.

(i) The Mortgagor's credit rating shall meet secondary market standards.

(j) The Mortgagor has no other refinancing alternatives. For example, the Eligible Mortgage must not be insured by FHA or owned by FNMA or FHLMC.

J-7. Eligible Property

Eligible properties are one, two and three family homes, and units in a common interest community. The property must be located in Connecticut.

J-8. Eligible Mortgages for Refinancing

An Eligible Mortgage is a first mortgage placed on Eligible Property (owned by an Eligible Mortgagor) between January 1, 1986 and December 31, 1992, which mortgage is insured by private mortgage insurance.

J-9. Eligible Mortgages for Guarantee

To be eligible for a guarantee, the new mortgage must be in conformity with general secondary market standards. Also, the mortgage must not provide any cash back to the Mortgagor in the refinancing of the Eligible Mortgage.

J-10. Underwriting Criteria and Guidelines

Underwriting criteria and guidelines applied by the Mortgagee on loans for which a guarantee is sought shall be those generally applied secondary market industry standards for refinancing mortgages. The Mortgagee shall certify in each application that the underwriting criteria therein applied are those generally applicable underwriting guidelines so referenced.

J-11. Mortgage Certification

Each application from the Mortgagee shall contain, in a form prescribed by the Authority, a certification, with penalties for false statement that the loan for which guarantee is sought would be approved for a refinancing mortgage by the Mortgagee but for the value of the mortgaged property being insufficient to support applicable loan to value requirements.

J-12. Fees and Expenses

The Authority shall determine reasonable and customary fees and expenses for this program.

J-13. Guarantee Limitations

Resources available to honor loan guarantees are those made available by the State of Connecticut as authorized through the Act.

The Mortgagee shall certify and agree that guarantees provided through the Master Agreement are not obligations of the Authority, either general or limited.

J-14. Certificate

Once a loan guarantee is approved by the Authority, the Mortgagee shall receive a certificate evidencing the terms and conditions of the guarantee coverage.

J-15. Secondary Markets

Mortgage guarantees shall, to the maximum extent feasible, incorporate terms and conditions acceptable to secondary market purchasers.

J-16. Mortgage Reporting

The Mortgagee shall file with the Authority such reports regarding servicing, defaulted loans and their status as the Authority may require.

J-17. Retention of Records

The Mortgagee shall retain such records in a form and for a duration as the Authority may at its discretion require in the Master Agreement. Failure to so maintain such records may result in the invalidation of any guarantees based on such records.

J-18. Mitigation of Loss

Upon delinquency, the Mortgagee shall use its best efforts to reduce losses to the Mortgagee and to the Fund, including counseling, appropriate modifications to payment schedules or early sale of the property. In the case of an early sale of the property, the Authority may request current financial data on borrowers, property inspections and appraisals.

J-19. Acquisition of Title

Upon the failure of efforts to mitigate loss, the Mortgagee must obtain marketable title to the property as a prerequisite to filing a claim. Title may be obtained either by foreclosure or by voluntary conveyance. In any case, the Mortgagee must agree to assign to the Authority any rights of recovery against the borrower, including the right to receive a deficiency judgment, which may not be adversely affected by the Mortgagee.

J-20. Claim for Loss

To avoid a waiver of coverage, a claim for loss must be filed within 60 days of acquiring marketable title unless otherwise authorized in writing by the Authority. A claim shall be deemed filed when actually received by the Authority.

J-21. Sale of Property Prior to Claim

The Mortgagee must obtain prior written approval of the Authority of the sales price, terms and conditions of all offers received prior to claim settlement. If prior approval of the sale is not obtained, a claim for loss cannot be submitted.

J-22. Claim Amount

The amount of any claim shall be the sum of the following: unpaid principal balance, accrued interest at the contract rate to the date of claim, and such other items as the Authority may determine.

J-23. Required Exhibits

In support of any filing for claim for loss, the Mortgagee shall supply to the Authority any exhibits as may be further defined in the Master Agreement including but not limited to the following: proof of title such as Certificate of Foreclosure or Deed, last 12 months loan history, paid receipts of claimable items, and a copy of the court appraisal at time of foreclosure.

J-24. Guarantee Amount

The maximum amount of the Guarantee shall be in such amounts as the Authority may determine.

J-25. Request for Guarantee

The Request for Guarantee (the "Request") shall be made by Eligible Mortgagees in a manner and form as may be satisfactory to the Authority and further described in the Master Agreement. All information provided to the Authority pursuant to a Request for mortgage loan guarantee shall subject the Mortgagor to penalty for false statement. Requests shall provide notice that the termination of coverage and prosecution are penalties for false statement.

J-26. Review by the Mortgagee

Before submission of the Request to the Authority, the Mortgagee shall review all materials for accuracy and completeness. The Request and relevant exhibits shall be signed by an officer of the Mortgagee empowered to make such application and certifications, with penalties for false statement.

J-27. Authority Review and Determination

The Authority shall render decision on each Request submitted by the Mortgagee. Such decisions shall be rendered by the Authority at its sole discretion based on the Act, these procedures and the terms of the Master Agreement. No guarantee shall be valid until approved, and signed, by the Authority.

K. TEACHERS MORTGAGE ASSISTANCE PROGRAM

K-1. Introduction

The teachers mortgage assistance program is for the purpose of providing assistance to eligible, certified teachers for the purchase of a house as their principal residence.

K-2. Eligibility

An applicant shall be eligible for this program if the applicant:

- (a) is a certified public school teacher in Connecticut;
- (b) meets any one of the four criteria below:
 - (1) is employed by a priority school district pursuant to CGS Section 10-266p; or
 - (2) is employed by a transitional school district pursuant to CGS Section 10-263c; or
 - (3) is employed by a regional vocational-technical school located in a priority or transitional school district; or
 - (4) teaches in a subject matter shortage area as certified to the Authority annually by the Commissioner of Education of the State of Connecticut;
- (c) is purchasing a primary residence in Connecticut which qualifies as an eligible dwelling under the Authority's Homebuyer Mortgage Program; provided that, for a teacher employed by a priority or a transitional school district, or by a regional vocational-technical school located in a priority or transitional school district, the house must be located in such district; and
- (d) meets the eligibility criteria of the Authority's Homebuyer Mortgage Program.

K-3. Terms and Conditions

(a) The mortgage loan shall generally be subject to the same terms and conditions as the Authority's Homebuyer Mortgage Program.

(b) The interest rate on the mortgage loan shall generally be lower than the interest rate charged under the Homebuyer Mortgage Program. The interest rate shall be determined at the sole discretion of the Authority.

(c) Downpayment assistance second mortgage loans shall generally be made available to eligible applicants under the same terms and conditions as is available to borrowers under the Authority's Downpayment Assistance Program, except that the asset limitation in Section III G-

5(a) hereof shall not be applicable. However, the Authority may decide, in its sole discretion, to impose an asset limitation.

(d) The Authority may, at its sole discretion, require that the mortgage loan documents provide that the Authority shall realize a certain, reasonable portion of the equity gain upon the sale of the mortgaged property.

**Single Family
Teachers Mortgage Assistance Program
Revised: 08/29/13
Adopted: 10/31/13**

L. HOMEOWNER'S EQUITY RECOVERY OPPORTUNITY LOAN PROGRAM

L-1. Introduction

In accordance with SHB 5577 “An Act Concerning Responsible Lending and Economic Security,” as amended, there is established a Homeowner's Equity Recovery Opportunity Loan Program as an additional purpose of the Authority pursuant to the provisions of subdivision (32) of section 8-250 of the general statutes. The purpose of the HERO Program is to permit the Authority to purchase mortgages directly from lenders and place borrowers it determines eligible on an affordable repayment plan and to make mortgage loans to borrowers who it determines to be eligible and who purchase foreclosed or abandoned properties or properties conveyed by deed in lieu of foreclosure or short sale and shall be undertaken consistent with and subject to the Authority's contractual obligations with its bondholders in an initial amount of thirty million dollars.

L-2. Definitions

(a) “Abandoned Property” has the same meaning as Connecticut General Statutes Section 8-169p;

(b) "Act" means SHB 5577 An Act Concerning Responsible Lending and Economic Security, as amended;

(c) "Assets" means;

(1) The sum of the household's savings and checking accounts, market value of stocks, bonds and other securities, other capital investments, pensions and retirement funds, personal property and Equity in real property including the subject mortgage property. Income derived from family assets shall be considered as income, and

(2) Lump-sum additions to family assets such as inheritances, capital gains, insurance payments included under health, accident, hazard or worker's compensation policies and settlements, verdicts or awards for personal or property losses or transfer of assets without consideration within one year of the time of application. Pending claims for such items must be identified by the Borrower as contingent assets.

(d) "Authority" means the Connecticut Housing Finance Authority created under section 8-244 of the general statutes;

(e) “Borrower” means the owner-occupant of a one-to-four family residential real property located in this state including, but not limited to, a single family unit in a common interest community, who has a mortgage encumbering such real property;

(f) "Equity" means the difference between the market value of the property and the total outstanding principal of any loans secured by the property and other liens;

(g) "HERO Program" means the Homeowner's Equity Recovery Opportunity Loan program created pursuant to the Act;

(h) "Lender" means the original lender under a mortgage, or its agents, successors or assigns, and

(i) "Mortgage" means a mortgage deed or other instrument which constitutes a first or second consensual lien on one-to-four family owner-occupied residential real property located in this state, including, but not limited to, a single-family unit in a common interest community, securing a loan made primarily for personal, family or household purposes.

L-3. Notice

The Authority shall provide public notice of the availability of the HERO Program.

L-4. Eligible Mortgages

(a) The Authority shall purchase mortgages directly from lenders that, in the determination of the Authority, are at a discount sufficient for the Authority to underwrite a HERO loan affordable by the Borrower.

(b) The Authority shall make mortgage loans to borrowers who it determines to be eligible and who purchase and occupy as their primary residence foreclosed or abandoned properties or properties conveyed by deed in lieu of foreclosure or short sale. Income limits shall not apply to borrowers obtaining mortgage loans pursuant to this subsection (b) provided the Authority's income limits shall apply to such borrowers who are first time homebuyers seeking downpayment assistance.

L-5. Borrower Eligibility

A Borrower shall be eligible for the HERO Program if, in the Authority's determination, the Borrower:

(a) has made an effort to meet his or her financial obligations to the best of the Borrower's ability;

(b) has sufficient and stable income to support timely repayment of a HERO loan;

(c) has legal title to the mortgaged property and resides in it as the Borrower's permanent residence, and

(d) if the Borrower has stopped making monthly payments, has the ability to account for the Borrower's cash flow by showing how those funds were escrowed, saved or redirected.

The Borrower shall provide the Authority with full disclosure of all Assets and liabilities, whether singly or jointly held, and all household income regardless of source.

All Borrowers approved by the Authority for the HERO Program shall attend in-person financial counseling at an authority-approved agency.

L-6. Hero Loan Terms

A HERO loan shall:

- (a) be in the first lien position;
- (b) be a mortgage for up to thirty years in an amount determined by the Authority;
- (c) provided an interest rate at an amount determined by the Authority;
- (d) be serviced by the Authority or its agents;
- (e) have property taxes and insurance, including mortgage insurance, homeowner's insurance and, if applicable, flood insurance, included in the Borrower's monthly payment amount, and
- (f) contain prepayment restrictions as determine by the Authority.

L-7. Application

Borrowers shall apply for the HERO Program on a form provided by the Authority. Borrowers shall complete and sign the application subject to the penalty for false statement under section 53a-157b of the general statutes.

L-8. Determination

The Authority shall make a determination of eligibility for the HERO Program no later than thirty calendar days after the date of receipt of the Borrower's application.

L-9. Disqualification

Any Borrower who fails to file a complete application or who fails to provide the Authority with full disclosure of all Assets and liabilities as required herein or who misrepresents any financial or other pertinent information in conjunction with the filing of an application for a HERO loan may be denied assistance.

**Single Family
Homeowners Equity Recovery Opportunity Program
Revised: 08/29/13
Adopted: 10/31/13**

M. WAIVERS, EXEMPTIONS AND MODIFICATIONS

The Authority's Executive Director or his/her designee may, from time to time, vary the Single Family Housing Homebuyer Mortgage Program Procedures in order to provide financing initiatives that are consistent with the Authority's statutory purpose. Any exceptions shall be reported to the Authority's Board of Directors.

**Single Family
Waivers, Exemptions and Modifications
Revised: 08/29/13
Adopted: 10/31/13**

IV

TAX CREDIT PROGRAMS

A. LOW-INCOME HOUSING TAX CREDIT

The Connecticut Housing Finance Authority (the “Authority” or “CHFA”) administers the federal Low-Income Housing Tax Credit (“LIHTC”) Program for the State of Connecticut (the “State”). The LIHTC Program is a housing program authorized under Section 42 of the Internal Revenue Code (the “Code”), and is administered by the U.S. Department of the Treasury. These Procedures govern the allocation, reservation and the compliance monitoring required by the LIHTC Program. Other governing material includes, without limitation, the Authority’s Procedures Part II. Rental Housing – A. Multifamily Rental Housing Program; policies, including CHFA Board policy statements; program materials, including the Qualified Allocation Plan (the “QAP”), the CHFA/DOH Consolidated Application (“ConApp” or “application”), the LIHTC general information, all associated guidelines, and CHFA’s current Multifamily Design, Construction and Sustainability Standards, collectively referred to herein as “Administrative Requirements”. The Authority’s Board of Directors may reject any LIHTC application which, in its independent determination, fails to meet the requirements articulated in the QAP.

A-1. Qualified Allocation Plan

The LIHTC Program requires each state responsible for allocating the LIHTCs to approve a plan for the allocation of the credits that is relevant to that state’s housing needs and is consistent with that state’s housing priorities. The QAP is the plan for the State. The QAP establishes guidelines and procedures for the acceptance, scoring and competitive ranking of LIHTC applications for each funding round.

The QAP is reviewed and modified periodically to ensure that it continues to meet the affordable housing needs and the priorities of the State as articulated in the State of Connecticut Consolidated Plan for Housing and Community Development, Conservation and Development Policies: The Plan for Connecticut, and the Analysis of Impediments to Fair Housing Choice 2015. The QAP is also modified periodically to incorporate any revisions to the Code, State regulations, and relevant industry best practices.

When changes are proposed for an existing QAP, the Authority publishes the draft QAP reflecting such changes and conducts hearings to allow for public review and comment. After consideration of all comments received during the public review period, the Authority’s staff submits a recommended draft QAP to the Authority’s Board of Directors for its consideration and approval. After the draft QAP is approved by the Authority’s Board of Director’s, the QAP is forwarded to the Governor for approval.

A-2. Submission and Eligibility

A ConApp, in its most recent form, shall be completed and submitted by an applicant seeking tax credits. Unless otherwise specified herein, reference to “LIHTC” application shall mean 4% and 9% LIHTC applications. Each LIHTC application shall be evaluated pursuant to the QAP in effect

and the Code. The completed application package must satisfy the Basic Threshold Requirements set forth in the QAP and the policy objectives and Administrative Requirements of the Authority. In addition to the Administrative Requirements and the Code, 4% tax credit applications may also be subject to requirements published in a Notice of Funding Availability (NOFA).

The determination of whether the applicant has satisfied all eligibility criteria and the policy objectives and administrative requirements of the Authority shall be made by the Authority's Executive Director or other authorized officer. The Authority's Executive Director, or other authorized officer, may require or accept additional or alternative evidence that an application satisfies all eligible criteria when it is in the public interest of the Authority, the LIHTC Program, and the housing plans or policies of the State.

The Authority requires that LIHTC developments submitted are ready to proceed and anticipates that such developments will achieve projected benchmarks. To that end, the Authority will consider the success of each Applicant in achieving LIHTC Program benchmarks and delivering completed developments along with its capacity to undertake new projects given its existing pipeline. The process for such consideration shall be discussed with applicants at the pre-application conference and again at the time of application.

All Applicants shall be required to attend a pre-application conference with Authority staff. Additional information on this process may be found in the Guidelines.

A-3. Processing

Upon receipt of a 9% LIHTC application submitted on or before the applicable deadline, staff will review the checklist for items submitted and perform an initial review of the 9% LIHTC application to determine if it satisfies the Application Criteria set forth in the QAP and the Authority's policy objectives and Administrative Requirements.

Any 9% LIHTC applications received by the Authority after the application deadline shall be denied and will be ineligible for 9% LIHTCs in such funding round. Additionally, applicants cannot submit Basic Threshold Requirement items after the application deadline. All applications must be complete at time of submission or will be ineligible for 9% LIHTCs in such funding round. The Authority reserves the right to seek clarification if necessary.

Upon receipt of a 4% LIHTC application, staff will review the checklist for items submitted and perform an initial review of the 4% LIHTC application to determine if it satisfies the Basic Threshold Requirements set forth in the QAP and the Authority's policy objectives and Administrative Requirements. Applications must be complete in the Authority's sole determination before a financing proposal may be considered for approval.

CHFA will complete a final determination of program eligibility based on its final underwriting projections prior to initial closing.

A-4. Site Evaluation

The Authority's staff shall conduct a site evaluation to determine if the proposed development site is acceptable and satisfies the criteria of the QAP and the policy objectives and Administrative Requirements of the Authority.

A-5. Project Selection Criteria and Ranking Procedures

The Authority shall allocate 9% LIHTCs based upon the selection criteria and application ranking set forth in the QAP.

All applications for LIHTCs shall satisfy the Basic Threshold Requirements set forth in the QAP in order to be eligible. Applications failing to meet the Basic Threshold Requirements set forth in the QAP shall be deemed ineligible.

Applications for 9% LIHTCs will be grouped in an Application Classification for evaluation as set forth in the QAP. These classifications are used for allocation within a competitive 9% LIHTC round only.

Applications will be evaluated, rated and ranked against the other applications in their respective classifications based on the competitive point scoring criteria set forth in the QAP. The results of the final evaluation and ranking shall be determined solely by the Authority.

In accordance with the Code, the Authority will establish a set aside of 10% of the annual credit ceiling for non-profit applicants. Therefore, no more than 90% of the State housing credit ceiling for any calendar year shall be allocated to projects other than those involving nonprofits, as defined in the Section 42(h)(5)(b) of the Code.

A-6. Funding Rounds

The LIHTC allocation process shall be conducted on the basis of open application and annual funding rounds with LIHTCs being allocated to those applications approved by the Authority's Board of Directors. Generally, the 4% LIHTC funding allocation process may be conducted on the basis of an open application process; however, a NOFA may be issued for competitive allocation, unless otherwise specified, subject to policy objectives and Administrative Requirements of the Authority. The 9% LIHTC funding allocation process shall be a competitive one as outlined in the QAP.

At least annually, the Authority's Executive Director, or other authorized officer, shall establish, and the Authority's Board of Directors shall approve, a schedule for LIHTC funding rounds.

LIHTC applications will be accepted subject to published deadlines, and the 9% LIHTC funding allocation process, and will be rated pursuant to the QAP within the funding round in which the applications are submitted.

- (a) Application resubmissions: Any applicant whose 9% LIHTC application is unsuccessful in the current funding round shall be entitled to an additional resubmission in a subsequent funding round. The completed resubmitted application must satisfy the Application

Criteria established in the current QAP and the policy objectives and Administrative Requirements of the Authority. Each applicant shall submit a second application fee. If a resubmitted application is not successful, any subsequent application contemplated must include material improvements. CHFA will determine if material improvements are included, in its sole discretion.

- (b) Forward allocations: 9% LIHTC allocations in any calendar year will be limited to the State housing credit ceiling for the calendar year, as determined in accordance with Section 42(h)(3)(C) of the Code; however, with the approval of the Authority's Board of Directors, the Authority may commit to reserve all or a portion of subsequent year's estimated population component of the total State housing credit ceiling, as described in Section 42(h)(3)(C) of the Code.

A-7. Tax Credit Reservation

Approved 9% LIHTC applications will receive a Tax Credit Reservation, which must be executed by the applicant and returned to the Authority within the time period stated therein, along with a portion of the Tax Credit Servicing Fee. A Tax Credit Reservation is not an allocation within the meaning of the Code.

The 9% LIHTC reservation may be subject to other milestones or conditions set forth in the Tax Credit Reservation. Failure to meet such milestones or conditions may result in the Authority's cancellation of the Tax Credit Reservation.

A-8. Appraisal and Market Study

Refer to Procedures Part II Rental Housing, Sections A-7 Market Study and A-8 Appraisals for details on 4% and 9% LIHTC requirements. Both the Authority-ordered professional appraisal and market study are not required until after a 9% LIHTC Reservation has been executed. The receipt of the Authority-ordered appraisal and market study is required prior to the execution of a Carryover Allocation Agreement or issuance of a 42(m) letter.

A-9. Reassessment

At the conclusion of the Authority's Board of Director's adoption of resolutions confirming the 9% LIHTC ranking process, an applicant may apply to the Authority to reassess its decisions relating to the acceptance, scoring, or ranking of the application in the funding round. The application for reassessment shall be submitted in a form acceptable to the Authority within ninety (90) days of the Authority's Board of Director's funding round approval. The reassessment shall be conducted by the Authority's senior staff members who were not directly involved in the evaluation of the application. An application for a reassessment must be accompanied by the applicable fee as noted in the LIHTC Guidelines. Decisions regarding reassessments will be considered final and will not be reconsidered. In the event that the application for reassessment results in a change of scoring and an allocation of 9% LIHTCs, the reassessment fee shall be fully refunded. At the discretion of the Authority's Board of Director's, reassessments may result in a forward commitment of 9% LIHTCs in accordance with the current QAP and the policy objectives and Administrative Requirements of the Authority. A successful reassessment will not result in the cancellation of a previously approved reservation.

A-10. Electing Applicable Credit Percentage

Each development's Applicable Credit Percentage will be established by an irrevocable election by the applicant, based on published rates in effect in either (i) the month the development is placed in service or at the election of the applicant, or (ii) the month in which a binding agreement to allocate the credit is entered into between the applicant and the Authority. This election must be made after a 9% LIHTC reservation has been issued and must be executed by the fifth day of the month following the month in which the binding agreement is executed.

A-11. Issuing Tax Credit Allocations

For developments with 9% LIHTCs that will not place-in service in the year of reservation, initial allocations will be made upon meeting the requirements for a Carryover Allocation Agreement. Final allocations of LIHTCs will be issued by the Authority after a review of the cost certification and a determination of final project costs and sources of funding has been made. In instances of a forward allocation of credits, projects will have until December 1st of the credit ceiling year from which the forward reservation was made to satisfy the Authority's requirements for a Carryover Allocation Agreement. Failure to meet this deadline may preclude issuance of a Carryover Allocation Agreement.

A-12. Construction and Cost Certification

All applicants are subject to bidding requirements but may be exempt from having a General Contractor in place at time of application. The Authority reserves the right to require competitive bidding among three general contractors pre-qualified by the Applicant and accepted by the Authority in order to mitigate and reduce project cost increases from the originally proposed budget. If required, competitive bidding for a General Contractor or project value-engineering shall be completed prior to the applicant's execution of a Carryover Allocation Agreement or receipt of an Authority-issued 42(m) letter.

All LIHTC developments must provide construction observation reports to the Authority on a current and regular basis, as defined by the Authority in its Construction Guidelines.

The applicant shall submit a cost certification accompanied by a certified public accountant's report in accordance with Section 1.42-17(a)(5) of the Treasury Regulations after substantial completion of the development and during the lease-up period. This cost certification must be submitted within the specified timeframe in order for the final funds disbursement to occur.

The applicant shall also submit Final Certificate(s) of Occupancy, affidavits of financing and such other information as the Authority deems appropriate for purposes of making the financial feasibility and viability determinations under the Code. The Authority's staff shall review the cost certification and make a preliminary determination that the amount of the LIHTC is necessary and appropriate, in accordance with the Code.

A-13. Compliance Monitoring

All qualified LIHTC developments are subject to review pursuant to the Authority's compliance monitoring procedures established in the QAP and LIHTC Guidelines.

A-14. Information

All processing and LIHTC award decisions made by the Authority shall be subject to the Code and the Regulations promulgated thereunder, the QAP and these Procedures.

A-15. Subsidy Layering

At the Authority's election and in accordance with a Memorandum of Understanding with HUD, the Authority performs Subsidy Layering Reviews on HUD's behalf for mixed-finance public housing projects and for newly constructed and rehabilitated structures which utilize Project-Based Vouchers in conjunction with LIHTCs. This review is performed in accordance with the requirements of the Housing and Economic Recovery Act of 2008 (HERA) to satisfy the requirements of section 102(d) of the Department of Housing and Urban Development Reform Act of 1989 (HUD Reform Act).

Tax Credit Programs

Low Income Housing Tax Credit

Revised: 5/28/20

Adopted: 7/30/2020

B. EMPLOYER REVOLVING LOAN FUNDS

B-1. Introduction

Section 12-217p of the Connecticut General Statutes, revision of 1958, as amended ("C.G.S."), provides for business tax credits for employer contributions to revolving loan funds for employer assisted housing, hereafter known as the "Employer Assisted Housing Tax Credit Program" (the "Program"). Pursuant to C.G.S. Section 12-217p(c), the Authority is to promulgate procedures providing for the establishment and operation of such revolving loan funds, describing employee eligibility, specifying expenses for which loans may be made and the documentation and procedure necessary for a business firm to qualify for employer assisted housing tax credits. A tax credit shall be used in the income year in which the Employer Assisted Housing Revolving Loan Fund is established or may be carried forward or backward for the five (5) immediately succeeding or preceding income years until the full credit has been allowed.

B-2. Definitions

(a) "Eligible Business Firm" is a business firm as described in C.G.S. Section 12-217p(a) and which has established an "Employer Assisted Housing Revolving Loan Fund" approved by the Authority.

(b) "Employer Assisted Housing Revolving Loan Fund" is a revolving loan fund established in accordance with C.G.S. Section 12-217p (b) and (c) and these procedures and approved by the Authority, which provides loans to Eligible Employees for Eligible Expenses. The revolving loan fund shall be maintained by the Eligible Business Firm for at least five (5) calendar years solely for the purposes as described in this Section in accordance with the Employee Assistance Plan. The revolving loan fund shall be equally available to all Eligible Employees of the Eligible Business Firm. The revolving loan fund shall be at least \$1,000, and interest and investment income from the fund shall be added to the fund.

(c) "Employee Assistance Plan" is a plan submitted by the Eligible Business Firm, or two or more Eligible Business Firms acting jointly, in a form acceptable to, or provided by, the Authority which describes the Eligible Expenses for the Employer Assisted Housing Revolving Loan Fund, the total amount that will be deposited in the Employer Assisted Housing Revolving Loan Fund and used in Connecticut, the date by which these funds will be deposited, the name of the financial institution where these funds shall be deposited and the account number, when available, the terms and conditions of loans to Eligible Employees, any proposed limitations on employee eligibility and any additional information the applicant business firm may deem appropriate and useful or which may be requested by the Authority. The Plan shall also describe how the Employer Assisted Housing Revolving Loan Fund will be marketed to Eligible Employees and estimate how many employees of the Eligible Business Firm are expected to qualify for and receive loans and the average amount of each loan. The Plan shall include an undertaking by the Eligible Business Firm (i) to affirmatively market the revolving loan fund to all Eligible Employees, (ii) to comply with the Civil Rights Acts of 1964 and 1968 and C.G.S. Section 46a-66 and (iii) to comply with the reporting requirements of the Authority. After the awarding by the Authority of a Certificate of Compliance, the Plan may not be modified or approved without the prior written approval of the Authority.

(d) "Eligible Expenses" include downpayment assistance for (i) no more than 25 percent of home purchase cost, (ii) mortgage interest rate buydowns, (iii) reasonable and customary closing costs associated with the acquisition of a Principal Residence by an Eligible Employee, and (iv) other expenses designated by the Eligible Business Firm which are deemed by the Authority to be consistent with the purposes of C.G.S. Section 12-217p for the acquisition of a Principal Residence by an Eligible Employee; or security deposits, advance rental payments and other rental assistance for Eligible Employees designated by the Eligible Business Firm which is deemed by the Authority to be consistent with C.G.S. Section 12-217p and related to the rental of a Principal Residence for occupancy by an Eligible Employee. No proceeds of the revolving loan fund shall be used for activities that are a part of the normal course of business of the Eligible Business Firm.

(e) "Eligible Employee" is a full-time employee of the Eligible Business Firm claiming credit against taxes in accordance with the C.G.S. Section 12-217p and these procedures with a household income no greater than 140 percent of the Area Median Income as determined from time to time by the federal Department of Housing and Urban Development and adjusted for household size. Present Owners or Officers of the Eligible Firm and members of their families are not Eligible Employees.

(f) "Income" means the total income of persons residing in the same household as the Eligible Employee and any other resident of the household declared by the Eligible Employee as a dependent for federal tax purposes, from whatever source derived.

(g) "Authority" means the Executive Director of the Connecticut Housing Finance Authority, acting on behalf of the Board of Directors of the Authority.

(h) "Principal Residence" is housing located in the State of Connecticut which is occupied by an Eligible Employee for more than one hundred eighty-three days per calendar year and has a purchase price that is not greater than 150 percent of the purchase price limitation for such housing as established by the federal Department of Housing and Urban Development governing the Home Mortgage program of the Authority.

B-3. Application Process

(a) On or before November first of each year, the Eligible Business Firm shall submit to the Authority (1) an "Employee Assistance Plan" as defined in B-2(c) above, (2) a Fund Establishment Certification in a form acceptable to or provided by the Authority certifying that upon approval of such Plan the Eligible Business Firm will establish an Employer Assisted Housing Revolving Loan Fund in accordance with the Plan, and (3) such reasonable processing fee(s) as the Authority may require. The Plan and Certification shall constitute the Application for the Employer Assisted Housing Tax Credit Program. Additional capitalization of previously approved Employer Assisted Housing Revolving Loan Funds will be considered new applications, and unless approved by the Authority cannot be considered the basis for claiming additional Employer Assisted Housing Tax Credits.

(b) Upon acceptance by the Authority of the Plan and Certification as described in Subsection (a) of the section, the application shall be enrolled in a lottery to be administered by the Authority to determine the final approval of Applications. The sum of all Employer Assisted

Housing Tax Credits approved by the Authority shall not exceed (i) \$100,000 annually per Eligible Business Firm and (ii) \$1,000,000 per year for the Program. In cases where the final application chosen for approval shall cause the total of the approved applications to be in excess of \$1,000,000, the Authority may, in its discretion, (i) reduce the amount of the final application chosen for approval, so that the total of approved applications does not exceed \$1,000,000, or (ii) if the Eligible Business Firm declines the reduced award, select another application which will not cause the total of the approved applications to exceed \$1,000,000. Should total applications received request a total of less than \$1,000,000 in Employer Assisted Housing Tax Credits, no lottery shall be held and all applications for which the Authority has accepted a Plan and Certification shall be approved.

(c) The Plan will be evaluated for acceptance by the Authority according to the degree to which it meets the goals of the Program. Consideration will be given to the degree to which the proposed interest rates for loans made to employees are more competitive than rates charged for similar loans in the private market and the amount of tax credits requested relative to the number of employees eligible to utilize the Program. For each allocation of Employer Assisted Housing Tax Credits, an Eligible Business Firm shall not be eligible to receive additional credits unless a minimum of sixty percent (60%) of the existing revolving loan fund has been disbursed to Eligible Employees no later than the application deadline.

(d) The Authority may charge reasonable application and monitoring fees not to exceed the total of \$750.00 per Eligible Business Firm. Application fees paid to the Authority are non-refundable. These fees may be adjusted from time to time based on the size of the Eligible Business Firm and the amount of the revolving loan fund.

(e) Each Eligible Business Firm will be informed by the Authority of the determination on its application.

B-4. Revolving Loan Fund Administration

(a) The Eligible Business Firm shall establish the revolving loan fund in accordance with the Plan and the Certification described in Section B-3(a) within 90 days of notice of approval from the Authority and shall provide evidence of that establishment to the Authority within 120 days of such notice of Authority approval. Such evidence must include a copy of a passbook or statement demonstrating the deposit of funds, all documents to be used in administering the fund, and any other information relative to the fund requested by the Authority. A one-time monitoring fee of \$500 must be paid by the Eligible Business Firm at that time. Upon receipt of the appropriate documentation and fee, a Certificate of Compliance will be issued by the Authority. In the event of a joint application by two or more Eligible Business Firms, the Authority shall issue a single Certificate of Compliance.

(b) Such Certificate of Compliance provided by the Authority in accordance with this Section shall constitute the documentation required to be submitted to the Commissioner of Revenue Services (the "Commissioner") in accordance with C.G.S. Section 12-217p(d).

(c) The Eligible Business Firm shall make active, good faith efforts to make Eligible Employees aware of its revolving loan fund and to disburse the fund to such Eligible Employees. The Eligible Business Firm shall also maintain such records of fund balances, loan activity, fund

maintenance and compliance with all applicable non-discrimination statutes as the Authority may require, and at least once every year shall provide to the Authority such reports as the Authority may require concerning fund balances, loan activity, fund maintenance and statutory compliance in accordance with the Plan. The Eligible Business Firm must provide to the Authority at least once each year a Compilation of receipts and disbursements from its Employer Assisted Housing Revolving Loan Fund, prepared by a certified public accountant.

(d) For Income Years commencing on or after January 1, 1998, if the Authority determines that sixty percent (60%) or more of the Employer Assisted Housing Revolving Loan Fund has not been loaned as provided in C.G.S. Section 12-217p by an Eligible Business Firm on or before the date that is three years after the date that an Employer Assisted Housing Revolving Loan Fund was established by such Eligible Business Firm (the "Recapture Date"), the Authority shall notify such firm and the Commissioner that 60 percent (60%) or more of the fund has not been loaned as provided in C.G.S. Section 12-217p and such firm shall be required to recapture credits previously granted under C.G.S. Section 2-217p. The recapture amount will be equal to the ratio of the difference between sixty percent and the percentage of the Employer Assisted Housing Revolving Loan Fund loaned, as of the Recapture Date, to sixty percent, multiplied by the amount of Employer Assisted Housing Tax Credits granted to such firm with respect to such fund, as indicated on such firm's Certificate of Compliance described in Section B-4(b). Such firm shall be required to recapture the credits on the first tax return required to be filed on or after the recapture date.

(e) Failure to comply with the Employee Assistance Plan, the Act, or the Procedures, or to provide information or reports required by the Authority shall result in notification of non-compliance, which shall be reported to the Commissioner of Revenue Services.

(f) The Eligible Business Firm shall not utilize the revolving loan fund for monitoring fees, legal fees, recording costs, document preparation fees or title charges. The Eligible Business Firm may charge reasonable bank and accounting fees to the Revolving Loan Fund.

C. HOUSING TAX CREDIT CONTRIBUTION PROGRAM

C-1. Introduction

Connecticut General Statutes ("C.G.S.") Section 8-395, as amended, provides for tax credit vouchers for Business Firms making cash contributions to Nonprofit Corporations that develop, sponsor or manage Housing Programs which benefit low-and moderate-income individuals or families.

C-2. Definitions

(a) "Area Median Income" means the area median income, adjusted for family size, as determined yearly by the United States Department of Housing and Urban Development;

(b) "Business Firm" means any business entity as defined in C.G.S. Section 8-395(a);

(c) "CDFIs" means Community Development Financial Institutions. A CDFI is a specialized financial institution incorporated within the state as a nonprofit tax exempt financial institution, designated and certified by the CDFI Fund, a bureau of the United States Department of the Treasury.

(a) "Contribution" means cash payment;

(b) "Family" means a household consisting of one or more persons;

(c) "Housing Program" means:

(1) a plan to build or acquire and improve housing to provide decent, safe and sanitary housing for Very Low-, Low- and Moderate-Income Families; or

(2) a plan to capitalize a revolving loan fund providing low-cost loans for housing-construction, repair or rehabilitation-to provide decent, safe and sanitary housing for Very Low-, Low- and Moderate-Income Families; or

(3) a program for Workforce Housing that provides assistance to individuals.

(g) "Income Year" means the Business Firm's Income Year, as defined in C.G.S. Section 12-213(a)(5);

(h) "Nonprofit Corporation" means a Nonprofit Corporation incorporated pursuant to Chapter 602 of the C.G.S., or any predecessor statutes thereto, having as one of its purposes the construction, rehabilitation, ownership or operation of housing and having articles of incorporation approved by the Executive Director of the Authority in accordance with regulations adopted pursuant to C.G.S. Section 8-79a or 8-84;

(i) "Very Low-, Low- and Moderate-Income Families" means families whose total household income does not exceed 50%, 80% and 100% of Area Median Income, respectively;

(j) "Eligible Expenses" as the term applies to revolving loan funds relates to the acquisition of housing located in Connecticut which is occupied by Very Low-, Low- and Moderate-Income Families for more than one hundred eighty-three (183) days per calendar year and which has a purchase price that is not greater than the sales price limits set yearly by the Authority. Eligible Expenses may include, but are not limited to:

- (1) down payment assistance for no greater than 25% of the cost of home purchase;
- (2) mortgage interest rate buy downs;
- (3) reasonable and customary closing costs; and
- (4) rehabilitation costs.

(k) "Workforce Housing" means affordable housing for low- and moderate- income wage or salaried workers in the municipalities where they work.

(l) "Authority" means the Connecticut Housing Finance Authority.

C-3. Program Description

(a) The Authority is authorized to administer a system of tax credit vouchers to Business Firms making Contributions to eligible Housing Program(s) which benefit Very Low-, Low- and Moderate-Income Families, or in the case of Workforce Housing low- and moderate income wage or salaried workers, and which are developed, sponsored or managed by Nonprofit Corporations. The tax credit voucher shall be granted in an amount equal to 100% of the value of the Contribution made. A Business Firm may receive a voucher for a Contribution to a Housing Program, which Contribution may result in the Business Firm having a limited equity interest in such program. No tax credit shall be granted to any Business Firm for any individual Contribution of less than \$250.

(b) Housing Programs eligible for Contributions may not serve families whose gross income exceeds 100% of the Area Median Income.

(c) Each eligible Nonprofit Corporation may not receive more than an aggregate amount of \$500,000 annually in Contributions for Housing Program(s) to which tax credits may be applied.

(d) For the purposes of this program, the Nonprofit Corporation's expenses for salaries, operations and overhead shall not be considered as Housing Program costs eligible for funding by a Contribution from a Business Firm.

C-4. Nonprofit Corporation Eligibility

To be eligible to participate in this program, the applicant shall demonstrate that it meets the definition of a Nonprofit Corporation above by submitting to the Authority an endorsed Certificate of Incorporation certified by the Secretary of the State, a certification that the Nonprofit Corporation is in existence from the Secretary of the State's Office and a copy of the letter that was

issued to the Nonprofit Corporation by the Internal Revenue Service determining that the corporation qualifies as an exempt organization under section 501(c) of the Internal Revenue Code.

C-5. Application Process for Nonprofit Corporations

(a) Applications from Nonprofit Corporations for approval of each Housing Program shall be filed on a date determined by the Authority. The time of receipt of an application shall be deemed to be the time of filing.

(b) As part of the application approval process, the Nonprofit Corporation shall be required to furnish the following regarding each Housing Program submitted for approval:

(1) A description of the Housing Program, including the total number of families to be served, the number of families to be served with incomes at or below 25% of the Area Median Income, the number of families with incomes greater than 25% and not more than 50% of the Area Median Income, the number of families with incomes greater than 50% and not more than 80% of the Area Median Income, and the number of families with incomes greater than 80% and not more than 100% of the Area Median Income; or in the case of a revolving loan fund, a detailed description of the revolving loan fund shall be provided.

(2) Evidence of housing need as demonstrated by a local survey, Consolidated Plan for Housing and Community Development, market study, or other documents deemed satisfactory by the Authority;

(3) Evidence of the general administrative capability of the Nonprofit Corporation to develop, sponsor or manage the Housing Program;

(4) Project financing plan and budget;

(5) Evidence of the project's readiness to proceed;

(6) Evidence that any funds previously received by the Nonprofit Corporation for which a voucher was previously issued were used to accomplish the goals set forth in the application; and

(7) Other information deemed appropriate by the Executive Director of the Authority.

(c) The Executive Director of the Authority may, at his/her sole discretion, waive any of the nonstatutory requirements relating to the documentation which must be submitted to the Authority for participation in the Housing Tax Credit Contribution ("HTCC") Program. The Executive Director of the Authority, however, shall not waive, or in any manner alter, the requirement that Contributions shall be allocated only to Housing Programs that serve Very Low-, Low- or Moderate-Income Families.

Such a waiver may be granted if there is sufficient evidence that:

(1) The literal enforcement of Authority procedures provides for exceptional difficulty or unusual hardship not caused by the applicant;

(2) The benefit to be gained by the waiver outweighs the detriment which would result from enforcement of the requirement;

(3) The waiver is in harmony with conserving public health, safety, and welfare; and

(4) The waiver is in the best interest of the State of Connecticut.

C-6. Rating and Ranking Process

Information submitted in the tax credit application will be evaluated and ranked according to the following categories, and as further described in the application. (See points calculation worksheet). The top ranking Housing Programs will receive a tax credit reservation provided a financing gap exists.

(a) Readiness to Proceed - the extent to which the applicant can demonstrate its readiness to proceed by providing documentation evidencing site control, firm financing commitments, zoning approval, building permits and any other documents that would indicate an applicant's readiness; or in the case of revolving loan funds, a fund establishment certification, stating the Nonprofit Corporation will establish the loan fund in accordance with the approved Housing Program in a manner that will assure all funds will be utilized for the stated program purpose within three (3) years of approval. The date of approval shall be the date of the Reservation Letter.

(b) Type of Housing Program - the extent to which funds are used to build or rehabilitate a specific housing project; or to capitalize a revolving loan fund providing low-cost loans for housing construction, repair or rehabilitation to benefit persons of Very Low-, Low- and Moderate-Income; or to the extent to which funds are used to establish a program of assistance to individuals to purchase or rent Workforce Housing, including the extent to which the Workforce Housing Program would reduce the commuting distance of participants.

(c) Target Population - the extent to which the project will benefit families with incomes at or below 25% of the Area Median Income and families with income between 25% and 50% of the Area Median Income; or in the case of Workforce Housing Programs the degree to which the program benefits low or moderate income wage or salaried employees purchasing or renting Workforce Housing.

(d) Administrative Capability - the general administrative capability of the Nonprofit Corporation to build, rehabilitate or manage housing, and the extent to which any funds received by the Nonprofit Corporation for which a voucher was issued were used to accomplish the goals set forth in the application; or in the case of a program established for Workforce Housing to provide assistance to individuals, the degree to which the Nonprofit Corporation has the administrative capability to administer such program.

(e) Use of Funds in Urban Areas and Impact on Neighborhood Revitalization - the extent to which the project is located in an Urban Regional Center as defined by the Connecticut Conservation and Development Plan of Connecticut, 2005-2010, as amended, and the project's impact on neighborhood revitalization.

(f) The extent to which tax credit funds are leveraged by other funds.

C-7. Administration of Contributions

(a) Each year, the Authority shall publish the list of Housing Programs of Nonprofit Corporations that will receive tax credit reservations.

(b) Upon notice of tax credit reservation, the Nonprofit Corporation shall have until sixty (60) days after the list of Housing Programs is published annually to secure Contributions from eligible Business Firms. Failure to meet this deadline will result in unallocated credits becoming available to other eligible applicants, which will have until ninety (90) days after the list of Housing Programs is published to secure Contributions from eligible Business Firms. Determination of which Housing Program receives the unallocated funds will be made pursuant to ranking score. Should unallocated funds remain available after ninety (90) days, an extension may be granted at the Executive Director's or his/her designee's discretion.

(c) Until sixty (60) days after the list of Housing Programs is published each year, two million dollars of the total amount of all tax credits available in any one fiscal year shall be set aside for permanent supportive housing initiatives established pursuant to C.G.S. Section 17a – 485c, as amended.

(d) Until sixty (60) days after the list of Housing Programs is published each year, one million dollars of the total amount of all tax credits available in any one fiscal year shall be set aside for Workforce Housing loan funds.

C-8. Business Firm Eligibility

To be eligible to participate in this program, a Business Firm shall submit an endorsed Certificate of Incorporation and a Certificate of Existence from the Secretary of the State's Office, or equivalent document acceptable to the Authority.

C-9. Application Process for Business Firms

(a) Applications for Business Firm Contributions shall be filed annually with the Authority by no later than the timeframe described in section C-7. The time of receipt of an application shall be deemed to be the time of filing. Applications for tax credit vouchers shall be made on forms prescribed and furnished by the Authority.

(b) As part of the application approval process, the Business Firm shall be required to furnish the following:

(1) A list of the Housing Program(s) to which the Business Firm intends to make Contribution(s); and

(2) The amount of the Contribution to be made to each Housing Program.

(c) Applications shall be approved or rejected by the Executive Director of the Authority based on the information and documentation required herein, as well as the availability of tax credits.

(d) If the Business Firm application is approved, the Business Firm will be notified, in writing, and given instructions of how to proceed with the Contribution.

(e) If the Business Firm application is rejected, the Business Firm shall be notified, in writing, of the reasons for the rejection.

C-10. Issuance of Tax Credit Vouchers

(a) Tax credit vouchers for Contributions to approved Housing Programs shall be issued in accordance with a ranking system which takes into consideration information provided by the Nonprofit Corporation in its application and the availability of tax credit vouchers.

(b) The Executive Director of the Authority or his/her designee shall notify the Business Firm, in writing, that a tax credit voucher will be reserved, contingent upon the Business Firm's submission of a notarized receipt from the Nonprofit Corporation of the Contribution made to the approved Housing Program.

(c) Tax credits shall be processed in accordance with policies established by the Department of Revenue Services.

(d) If a Business Firm is contributing to one or more Housing Programs, the application shall be submitted as a single application and shall provide the information required herein for each Business Firm.

(e) The amount which is proposed to be contributed by a Business Firm to which a credit voucher has been reserved must be contributed by March 31 of the calendar year following the calendar year in which the application for such voucher was filed.

(f) The Business Firm's tax credit must be claimed on the tax return of the Income Year during which the Contribution to the Nonprofit Corporation was made.

C-11. Carryforwards and Carrybacks

Any tax credit not used in the period during which the Contribution was made may be carried forward or backward for the five (5) immediately succeeding or preceding Income Years until the full credit has been allowed.

C-12. Compliance Monitoring

(a) The Nonprofit Corporation shall maintain a segregated account as it pertains to Housing Programs receiving Contributions for which a tax credit voucher(s) has been issued. The Nonprofit Corporation shall maintain complete and accurate books and records, and shall furnish the Authority with financial statements and other reports relating to the operation of the program in such detail and at such times as may be required.

(b) Or in the case of a revolving loan fund(s), the Nonprofit Corporation shall establish the revolving loan fund(s) in accordance with the Housing Program subsequent to voucher issuance from the Authority and provide evidence of that establishment to the Authority. Such evidence

must include a signed, notarized fund(s) establishment certification or a statement demonstrating the deposit of funds, copies of all documents to be utilized in the administration of the fund(s) and any other information relative to the fund(s) requested by the Authority.

(c) The Nonprofit Corporation must make active, good faith efforts to market its Housing Program and carry out the objectives of the Housing Program, and shall furnish the Authority with marketing materials and other documents relating to the marketing of the Housing Program in such detail and at such times as may be required.

(d) The Nonprofit Corporation must also maintain records of account balances, loan activity, fund maintenance, and compliance with the Authority's requirements, and shall furnish the Authority with financial statements and other reports relating to the operation of the program in such detail and at such times as may be required.

(e) Housing Programs projects shall be scheduled for completion not more than three (3) years from the date of approval. Anticipated date of completion shall be documented in the project schedule submitted with the application. In the case of revolving loan funds, 100% of the HTCC funds must be loaned out within three (3) years of the fund's inception. All loan repayments, interest and investment income must be held in the loan fund to be used in accordance with the Housing Program with the exception that CDFIs and eligible nonprofit entities may offset administrative and overhead expenses by withdrawing from the loan fund earnings from an interest rate spread not to exceed 3%.

(f) Approved Housing Program(s) must submit quarterly progress reports evidencing compliance with the submitted project schedule; or in the case of a revolving loan fund(s), a quarterly compilation of the revolving loan fund(s) must be provided to the Authority.

(g) Failure to submit quarterly progress reports two (2) or more times in any given calendar year may result in a loss of points off the subsequent ranking of any and all HTCC project applications by the non-compliant applicant for a period of two (2) consecutive funding rounds of the HTCC Program.

(h) Housing Programs must demonstrate final completion by submitting to the Authority a signed Certificate of Project Completion form ("CC") along with Certificate(s) of Occupancy ("CO"), Temporary Certificate(s) of Occupancy ("TCO") or a letter from the local municipal building official indicating that a CO/TCO has been issued and is valid for the Housing Program as of the date of project completion; revolving loan fund(s) must demonstrate final completion by submitting a Certificate of Completion, prepared by a certified public account and copies of all relevant loan documents that backup the use of the HTCC funds.

(i) If a CO/TCO is not available for the originally proposed properties, a letter from the applicant must be provided to the Authority explaining the extenuating circumstances which resulted in a deviation from the Housing Program.

(j) If an applicant wishes to make a change to a Housing Program plan or budget, such revision requests should be submitted in writing to the Authority for staff review and written approval prior to final completion document submission.

(k) Failure to submit final completion documents, as stated above, to the Authority within three (3) years and ninety (90) days from the date of the Reservation Letter will result in the ineligibility of the applicant in the HTCC Program for a period of two (2) consecutive funding rounds of the HTCC Program.

(l) If an applicant fails to proceed with the Housing Program in accordance with the project schedule or demonstrate that completion occurred within three (3) years from the date of approval, the remaining funds contributed by Business Firms may be reclaimed by the Authority, such funds shall be redistributed to another Housing Program in the next appropriate funding round and the applicant will be ineligible in the HTCC Program for a period of two consecutive funding rounds of the HTCC Program.

Housing Tax Credit Contribution Program

Revised: 10/30/2014

Adopted: 12/18/2014

V

FINANCE

A. BOND ISSUANCE

A-1. Bonds

Pursuant to sections 8-252 and 8-252(a) of the Connecticut General Statutes, the Authority raises money through the issuance of bonds, bond anticipation notes and other obligations to be repaid from the Authority's revenues. The Authority's obligations are not general obligations of the state, although, pursuant to section 8-258 of the Connecticut General Statutes, if the housing mortgage capital reserve fund is less than required, there is deemed to be appropriated from the state general fund an amount necessary to restore such fund, which is to be repaid by the Authority. The Authority's obligations are not issued pursuant to the procedures provided by statute for general obligations of the state.

The Authority will issue and retire bonds, bond anticipation notes, and other obligations of the authority in accordance with the General Housing Mortgage Finance Program Bond Resolution, which resolution is incorporated herein by reference.

The Authority shall issue bonds and bond anticipation notes to finance housing programs, as authorized by the adoption of a resolution(s), for the sale of bonds or notes by the Board of Directors.

The resolution(s) for the bond sale adopted by the Board of Directors shall contain a description of the programs to be financed from the proceeds of the issue, the structure and maturity dates of the issue. The resolution(s) shall include evidence that revenues will be sufficient to: 1. pay the principal and interest on the bonds and notes issued; 2. establish, increase and maintain any reserves deemed advisable to secure the payment of principal and interest on such bonds and notes; and 3. pay all costs for the issuance of such bonds and notes.

B. ADOPTION OF ANNUAL BUDGET

B-1. Description

An annual budget will contain a plan of operations and provide for its implementation by authorizing the financing of the various programs from bond proceeds or the Investment Trust Surplus Fund approved by the Board of Directors, the funding of debt service requirements of outstanding bonds and provide for operating expenditures, capital expenditures and for the financial requirements of the operating staff with respect to those programs, including costs incidental thereto.

The Board of Directors shall adopt an annual operating budget not later than at a meeting of the Board of Directors in November of the preceding year.

A proposed preliminary annual budget for the next succeeding year shall be prepared and circulated among each major division of the Authority for review and recommendations at least sixty (60) days prior to the November meeting of the Board of Directors.

Based upon review and comment by staff, a draft annual budget is prepared and presented to the Finance/Audit Committee of the Board of Directors prior to the November meeting.

The Finance/Audit Committee reviews the draft annual budget and makes any Committee approved changes, and a resolution for its adoption is presented to the Board of Directors at the November meeting.

The annual budget approved at the November meeting shall become the operating annual budget for the subsequent calendar year, beginning January 1.

C. CONSULTANTS

C-1. Services of Auditors

A public accounting firm will be retained by the Authority to audit the books and accounts of the Authority on an annual basis, prepare compliance audit reports and provide certification to the financial statements.

The Finance/Audit Committee shall approve a scope of work proposal to perform the annual financial audit and provide for compliance audit reports, as required.

A Request for Proposals for services is made to firms with relevant experience in the field of public accounting. The written proposals are reviewed by the Finance/Audit Committee for responsiveness to the request and the reasonableness of the fee structure proposed.

The Finance/Audit Committee may select from among the written proposals several firms, and invite those firms to provide an oral presentation.

Based upon written and/or oral presentations, the Finance/Audit Committee will make its recommendations to the Board of Directors for auditor of the Authority for a period not to exceed three calendar years at the Board's next regular meeting.

C-2. Financial Advisor

The Authority may select a financial advisor to provide financial advice in connection with bond issues and other financial matters pertaining to the Authority and provide advice with respect to alternative methods of financing housing program bonds.

A Request for Proposals for services to act as financial advisor to the Authority is made to firms with experience in the field of housing investment banking and municipal finance.

The written proposals which include specific functions of a financial advisor and the relationship of those functions to the specific financial housing programs of the Authority are reviewed by the Finance/Audit Committee for responsiveness to the request and the reasonableness of the fee structure proposed.

The Finance/Audit Committee may select from among the written proposals several firms, and invite those firms to provide an oral presentation.

Based upon written and/or oral presentations, the Finance/Audit Committee will make its recommendations to the Board of Directors for financial advisor of the Authority for a period not to exceed three calendar years at the Board's next regular meeting.

C-3. Bond Underwriters

The Authority shall select bond underwriters for services to be rendered in the pricing and marketing of bonds that are sold by the Authority on a negotiated basis.

A Request for Proposals for services of bond underwriters shall require demonstration of experience and successful participation in the management and sale of bonds and an indication with respect to their preference to be a lead underwriter (a manager) or a co-manager.

The written proposals are reviewed by the Finance/Audit Committee for responsiveness to the request and the extent of experience and participation in bond sales.

The Finance/Audit Committee may select from among the written proposals several firms, and invite those firms to provide an oral presentation.

Based upon written and/or oral presentations, the Finance/Audit Committee will make its recommendations to the Board of Directors for the selection of bond underwriters of the Authority for a period not to exceed three calendar years, designating each such selection as a manager or co-manager, at the Board's next regular meeting.

C-4. Bond Counsel

The Authority shall select bond counsel from nationally recognized law firms experienced in municipal bond financing to provide services, including tax opinions and validation of bonds and the tax status of bond issues.

A Request for Proposals shall require demonstration of a working knowledge of the Authority's mortgage finance bond programs and experience in the computation of arbitrage.

The written proposals are reviewed by the Board of Directors and/or a committee designated by the Board of Directors for: responsiveness to the request; extent of experience; proven competence as bond counsel for municipal bond financing entities; proposed fee; and thorough understanding of the Authority's indentures and arbitrage computations.

The Board of Directors may make further examination by oral presentations and by resolution shall select bond counsel of the Authority for a period not to exceed three (3) calendar years, at the Board's next regular meeting.

C-5. Outside Counsel

The Authority shall select outside counsel as needed. A Request for Proposals shall require demonstration of a working knowledge of the pertinent area of law.

The written proposals are reviewed by the Board of Directors and/or a committee designated by the Board of Directors for: responsiveness to the request; extent of experience; proven competence and proposed fee.

The Board of Directors may make further examination by oral presentations and by resolution shall select outside counsel of the Authority for a period not to exceed three (3) calendar years, at the Board's next regular meeting.

**D. REQUIRED DISCLOSURES FOR INVESTMENT SERVICES
CONTRACTS**

Pursuant to Connecticut General Statutes §3-13j, any person or entity entering into a contract for investment services with the Authority shall disclose to the Authority all third party fees attributable to such contract prior to entering into such contract.

Investment services means legal services, investment banking services, investment advisory services, underwriting services, financial advisory services or brokerage firm services or as otherwise defined in section 9-333n of the general statutes **or any amendment thereto.**

Third party fees includes, but is not limited to, management fees, placement agent fees, solicitation fees, referral fees, promotion fees, introduction or matchmaker fees, and due diligence fees or as otherwise defined in C. G. S. §3-13j(c) **or any amendment thereto.**

During the contract term for investment services with the Authority, persons or entities providing investment services have a continuing duty to disclose third party fees, in writing, within sixty (60) days upon any change to a prior disclosure.

Disclosure shall be made in writing by persons or entities providing investment services in an affidavit addressed to the Authority and sworn to before an officer authorized by section 1-24 of the general statutes to administer oaths in substantially the following form.

AFFIDAVIT OF DISCLOSURE

STATE OF _____)
) SS: _____
 COUNTY OF _____)

Pursuant to Section 3-13j of the Connecticut General Statutes, I, _____ [a duly authorized officer and/or representative of _____], a person or entity entering into a contract for investment services with the CONNECTICUT HOUSING FINANCE AUTHORITY, being duly sworn, hereby depose and say:

that all third party fees* attributable to such contract **whenever paid** are as follows:

NAME OF PAYEE	DOLLAR AMOUNT OR VALUE OF NON-CASH COMPENSATION AND DATE	FEE ARRANGEMENT	SPECIFIC SERVICES PERFORMED BY PAYEE

***third party fees includes, but is not limited to, management fees, placement agent fees, solicitation fees, referral fees, promotion fees, introduction or matchmaker fees, and due diligence fees or as otherwise defined in C. G. S. §3-13j(c) or any amendment thereto.**

[if none, state none]

I hereby agree that during the term of this contract, I will disclose any third party fees in writing within sixty (60) days of payment of such fees.

In Witness Whereof, I have hereunto set my hand and seal.

Witness:

Name: _____

Title: _____

Subscribed and sworn to before me this _____ day of _____, 20__

Notary Public

My commission expires: _____

E. FINDERS' FEES

E-1. Introduction

Section 7 of Public Act No. 00-43, codified as Conn. Gen. Stat. §3-131, prohibits the payment of finder's fees in connection with an investment transaction to which the State, any political subdivision of the State or any quasi-public agency of the State is a party. The Act also established various exemptions and authorized the State Ethics Commission, in consultation with the Treasurer, to promulgate regulations further defining finders' fees, and authorized the Treasurer to prescribe interim criteria for finders' fees pending the adoption of such regulations. The Act further authorizes any quasi-public agency to bring legal action to recover civil penalties for violation of the finders' fee prohibition.

E-2. Purpose

The purpose of these Procedures is to set forth the policies and procedures of the Authority implementing the provisions of Section 7 of the Act and the related interim criteria and final regulations.

E-3. Definitions

As used in these Procedures:

“Act” means Public Act 00-43.

“Affidavit with Respect to Third Party Fees” means a sworn affidavit disclosing Third Party Fees filed with the Authority pursuant to the Authority's Procedures Regarding Third Party Fees.

“Authority” means the Connecticut Housing Finance Authority.

“Finders' Fee” has the meaning assigned to that term pursuant to the Act and the Regulations.

“Investment Transaction” has the meaning assigned to that term in the Regulations.

“Procedures” means these Procedures Regarding Finders' Fees.

“Procedures Regarding Third Party Fees” means procedures of the Authority adopted pursuant to Section 5 of the Act.

“Regulations” means the regulations of the State Ethics Commission promulgated pursuant to Section 7 of the Act, and until such regulations are adopted, means the interim criteria prescribed by the Treasurer pursuant to Section 7 of the Act.

“Third Party Fees” has the meaning assigned to that term in Section 5 of the Act, codified as Conn. Gen. Stat. §3-13j.

E-4. Procedure for Review of Affidavits with Respect to Third Party Fees

Upon receipt of an Affidavit with Respect to Third Party Fees, the staff of the Authority shall review it for sufficiency in accordance with its Procedures Regarding Third Party Fees.

If the Executive Director of the Authority determines that there is a reasonable basis for questioning whether a disclosed Third Party Fee constitutes a prohibited Finders' Fee, the Executive Director may require that the filing party provide an explanation and/or offer of proof as to the availability of an exemption. If it remains unclear whether the disclosed Third Party Fee is a prohibited Finders' Fee, the Executive Director may refer the matter to the State Ethics Commission for review and appropriate action.

The filing party shall bear the burden of proving that a disclosed Third Party Fee is not a prohibited Finders' Fee. The Authority has no responsibility or authority to make any legal determination with respect to Finders' Fee, and no action or inaction by the Authority shall be deemed to constitute any such determination or any waiver or consent with respect thereto.

E-5. Contractual Representations and Warranties

Each party to an Investment Transaction involving the Authority shall be required to represent and warrant to the Authority that such party has not paid or received, and will not pay or receive, any Finders' Fee in connection with such Investment Transaction.

E-6. Institution of Legal Action

With the approval of the Board of Directors of the Authority, the Executive Director may institute on behalf of the Authority an action in Superior Court to recover as a penalty for a violation of Section 7 of the Act which affects any fund under control of the Authority an amount not less than the amount of the Finders' Fee and not more than three (3) times such amount.

Finance

Finder's Fees

Revised: 04/25/2013

Adopted: 06/27/2013