



CONNECTICUT HOUSING FINANCE AUTHORITY  
**PROCEDURES**

**Sections Revised as of 12/1/2024**

**Section II - Rental Housing**  
**Section III – Single Family Housing**  
**Section IV(A) - Low-Income Housing Tax Credit**  
**Section IV(C) - Housing Tax Credit Contribution Program**

# 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 the Connecticut 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 or virtually in accordance with the Connecticut General Statutes. 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.

## **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 or ancestry, sex, sexual orientation, gender identity or expression or erased criminal history record information, as defined in Connecticut General Statute section 46a-80a. The Authority shall require that the contractors and subcontractors engaged in the construction or rehabilitation of such housing shall take affirmative action to provide equal opportunity for employment without discrimination as to race, creed, color, national origin or ancestry, sex, sexual orientation, gender identity or expression or erased criminal history record information.

## **B-7. Reports**

Pursuant to section 8-260 of the Connecticut 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. PROCUREMENT PROCEDURES**

### **D-1. Introduction**

Procedures for purchasing vary depending upon the value of the good or service to be procured. A bidding process is generally used except as noted below in section D-3.

### **D-2. Bidding Process**

- (a) Bidding requirements for goods and services:
  - (1) If the goods or services have a total value of less than \$50,000 in any calendar year, no bids required;
  - (2) If the goods or services have a total value of between \$50,000 and \$149,999 in any calendar year, written quotes are required from three or more qualified vendors, provided that in the event three quotes cannot be obtained, the Authority shall document its efforts made to comply with this provision;
  - (3) If the goods or services have a total value of more than \$150,000 or more in any calendar year, bids or proposals by electronic posting on the Authority's website and the State of Connecticut Department of Administrative Services Contracting portal 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, except as noted below in subsection (f).

(f) Five years shall be the limitation on the term of agreements for the purchase of goods and services when utilizing State contracts available to quasi-public agencies/political subdivisions. Five years shall also be the limitation on the term of agreements with sub-servicers of the Authority's single family whole loans, for seller-servicers, and for externally procured software products and services.

(g) 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.

(f) Expenditures relating to servicing of single family mortgage loans for which the loan servicing services from the servicer were initially procured pursuant to these Procedures.

### **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 applicable Connecticut General Statutes.

(b) Information on goods or services purchased is quantified to ensure that the Authority complies with applicable 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 and Promoting**

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 on 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.

To support career paths for existing employees, the Executive Director may fill any newly created or vacant position without posting it after consultation, as necessary, with managers or supervisors. All other newly created or vacant positions should be posted only after approval by the Executive Director. If a position is advertised outside of the organization, it will be advertised in locations and sources to promote the diversity of the applicant pool.

### **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 satisfactory 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 Human Resources.

#### **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 for conduct that it deems correctible by progressive discipline. However, the Executive Director is authorized, in his or her sole discretion, to decide whether and what disciplinary action will be taken in a given situation, up to and including termination. 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 head and the Director of Human Resources 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 disagrees with any information contained in a documented disciplinary action, performance evaluation, or notice of termination has the right to submit a written statement explaining his or her position. Employees who have completed the introductory employment period may also request reconsideration of any disciplinary action at the time they submit their written statement explaining their position. The request for reconsideration of any disciplinary action does not extend to performance evaluations or terminations. The request for reconsideration of any disciplinary action will be considered by the Executive Director or her designee. In those cases, the decision of the Executive Director regarding the contested matter is final.

#### **E-6. Compensation**

Payment of Salary - Salaries are paid 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 payment for compensation up to four weeks after the first day he or she commenced working for the Authority.

Overtime and Overtime Pay - The Authority shall comply with all state and federal laws regarding fair labor standards and the payment of overtime.

Merit, COLA and other Incentive - Based Compensation - On an annual basis, the Executive Director may recommend for approval by the Board of Directors an allocation of funds for cost of living adjustments (COLA), merit compensation, and/or incentive-based increases for the staff. Employees shall be compensated according to job performance as determined through the performance management process. The Executive Director shall approve any compensation increase in advance of its implementation.

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 Executive Director may at her discretion negotiate severance agreements in the best interests of the Authority. The Board of Directors may at its discretion negotiate a severance agreement with the Executive Director in the best interests of the Authority. All severance agreements shall comply with section 1-125a of the Connecticut General Statutes, if applicable.

## **E-7. Affirmative Action and Equal Employment Opportunity Policy**

In accordance with Connecticut General Statute section 8-249, the Board of Directors of the Authority has adopted this Affirmative Action and Equal Employment Opportunity Policy.

The Authority is committed to providing equal employment opportunities to all employees and applicants for employment without regard to race, color, religious creed, age, sex, sexual orientation, gender identity or expression, marital status, national origin, ancestry, present or past history of mental disability, intellectual disability, learning disability, physical disability, including, but not limited to, blindness or status as a veteran, pregnancy or pregnancy-related conditions, or any other characteristic that is protected under applicable state or federal law. In addition, the Authority complies with applicable state and local laws governing nondiscrimination in employment. The policy applies to all terms and conditions of employment including, but not limited to, hiring, placement, promotion, termination, lay-off, re-hire, transfer, leaves of absence, compensation, and training.

If a position is advertised outside of the organization, the Authority takes steps to maximize the diversity of the applicant pool.

The Authority will implement best practices that encourage and support Diversity, Equity and Inclusion in the work environment.

### **Administration**

**Revised: 10/26/2023**

**Adopted: 1/31/2024**

**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 create affordable housing to serve a mix of incomes, though all development types shall be considered.

(b) A CHFA-DOH Consolidated Application (the “ConApp”) shall be completed and submitted by an applicant seeking financing. Each applicant’s ConApp 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 ConApp submissions must be provided to the Authority’s satisfaction before a financing proposal may be considered for approval.

(d) The Authority shall create a schedule of fees and costs associated with application and financing. Other applicable fees and costs not included in this schedule may be required.

(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) The development team shall include the developer(s), general contractor(s), architect(s), property management agent(s) and any other parties deemed by the Authority to be necessary for the completion and/or operation of the proposed multifamily rental development.

(b) Each member of the development team shall be licensed and/or registered to do business in the State of Connecticut.

(c) The Authority shall determine whether the members of the development team are qualified (the “Qualified Development Team”). When determining whether a development team is qualified, the Authority may assess, without limitation, the team’s development and operational

history for comparable and completed developments, financial capacity, and relevant experience in multifamily housing finance, development, construction, management, and resident services.

(d) During the developmental and operational stages, a proposed change and/or substitution of any previously approved member of the Qualified Development Team shall be submitted in writing to the Authority and shall require the prior written consent of the Authority.

(e) 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, partners and/or members 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 may require 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" or "LIHTC"). 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 the Authority, the Authority reserves the right to utilize a market analysis that has been completed by an analyst not on the Authority's approved list but has been reviewed and accepted by Authority staff.

(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 may be 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 Authority debt, debt restructuring or other special situations.

(b) The Authority may 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 the Authority.

(c) The Authority reserves the right to exercise discretion in commissioning an appraisal and/or modifying 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 require and/or when programmatic requirements exist.

(1) Debt Service Coverage ("DSC") - The minimum coverage for all uninsured multifamily rental housing loans shall be 1.15x or its equivalent (as determined by the Authority) for a period deemed necessary by the Authority, but in no event less than one year. 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) Loan to Value ("LTV") - The LTV may not exceed eighty percent (80%) of the appraised prospective value or the Authority's estimated total development 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. 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.

(3) 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.

(4) 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.

(5) 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.

(6) 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. The Authority reserves the right to exercise discretion in the expense growth rates.

(7) Maximum Loan Amount - Following consideration of market, location and other applicable conditions, the Authority, in its discretion, shall determine the maximum mortgage loan amount subject to the following: (a) applicable statutory limitations, and (b) LTV or DSC.

(8) Rent Limitations - 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 and market analysis to the extent economically feasible.

(9) 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. Please also refer to Section II(B) of these Procedures for further discussion of reserves for replacement. With respect to requests for financing, the Authority may, from time to time, require a capital needs assessment report (a “CNA”) prepared by an acceptable third-party provider in a format approved by the Authority.

(10) Operating Reserve - The Authority may require a mortgagor to fund an operating 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 reserve may be included within the development budget.

(11) Type of Financing - Both recourse and non-recourse financing may be provided, as determined by the Authority. Non-recourse mortgage loans may 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.

(12) Developer Allowance/Fee (“DAF”) - To the extent economically feasible, the DAF shall be comprised of two parts: a “Deferred DAF Portion” and a “Paid DAF Portion”. The Deferred DAF Portion is the portion of the total approved DAF amount to be deferred by the mortgagor to complete the multifamily rental housing development, as may be permitted by the Authority and as further described in subsection (13) below. The Authority shall publish, from time to time, DAF requirements and limitations, *provided, however*, in no event shall the DAF exceed 15% of TDC (as defined, without DAF, in subsection (3) above) with respect to any multifamily rental housing

development. Notwithstanding anything herein to the contrary, developments determined by the Authority to not be utilizing scarce public resources shall be entitled to a Paid DAF Portion equal to 15% of TDC.

(13) Deferred Developer Allowance/Fee (“Deferred DAF Portion”) - The Authority may permit a portion of the total approved DAF amount to be deferred by the mortgagor to complete the multifamily rental housing development. For the purposes of assessing initial application feasibility, the 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.

(14) 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.

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

(16) Consultants - Should an applicant/mortgagor elect to retain a housing development consultant or resident training consultant, 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. The Authority shall publish guidelines from time to time setting forth guidelines regarding consultant compensation.

(17) 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%). For developments with construction costs of less than \$2,500,000, the Authority may limit the combined value of the general contractor or construction manager overhead, profit and general requirements to 16% of the cost of the work, excluding payment and performance bonds and building permits.

(d) Fees may be further limited for related parties or identities of interest, or at the discretion of the Authority.

(18) 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.

(19) 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 non-profit sponsor.

(20) Restrictive Covenant - All multifamily rental housing developments shall have a restrictive covenant identifying the term and structure of affordability limitations which may require the development to be monitored by the Authority and/or its authorized agent or contractor.

(21) 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.

(22) 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.

(23) Subordinated Debt – Subject to applicable statutory requirements, any financing subordinated to Authority financing may be allowed on a case-by-case basis, as determined by the Authority.

(24) 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 shall be submitted to the Authority's Mortgage Committee of the Board of Directors for its consideration and 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 the Authority may enter into a loan commitment with the applicant setting forth the terms of the financing and required fees. Should the Authority's Board of Directors not adopt a financing resolution for the multifamily rental housing development, the applicant shall be notified in writing and processing of the application will cease.

#### **A-11. Initial Closing**

Prior to an initial mortgage closing, the Authority shall require that the proposed mortgagor deliver to the Authority all appropriate mortgage loan closing documentation and due diligence deemed by the Authority to be necessary and/or appropriate to insure that the proposed multifamily rental housing development shall be completed and operated in accordance with the Authority's requirements and that the Authority mortgage loan shall perform in accordance with the Authority and Authority Board of Director approval requirements. The Authority requirements may include, without limitation, final plans and specifications, a construction contract in accordance with industry standards, assurance of completion, a construction schedule, a construction trade payment breakdown of materials and labor costs, all required governmental approval(s), regulatory agreement(s), mortgage loan documentation, mortgagee title insurance, a property survey, an architect agreement in accordance with industry standards, a management agreement, a management plan, a marketing plan, a tenant selection plan, an environmental assessment or review, insurance coverage(s), evidence of subsidies and other development financial assistance and/or mortgage loan disbursement and loan advance financial exhibits.

#### **A-12. Construction Period**

(a) The Authority may 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 an eligible development cost and may be included in the development budget.

(b) 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 cost certification guideline published by the Authority from time to time. 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**

Each mortgagor shall submit all construction, cost certification, financial, LIHTC and mortgage loan documentation required by the Authority in order to satisfy final closing requirements.

### **A-16. Waivers, Exemptions and Modifications**

(a) The Authority's Board of Directors or the Executive Director 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 so long as the following apply:

- (1) service to very low-income households;
- (2) evidence of minimal risk to the Authority;
- (3) no 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 or the Executive Director.

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 this Section A-16.

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**Multifamily Rental Housing Program**  
**Revised: 9/26/2024**  
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## **B. MULTIFAMILY ASSET MANAGEMENT**

### **B-1. Introduction; Definitions**

(a) The primary responsibilities of the Multifamily Asset Management Department (“Asset Management”) are to: (i) monitor owner compliance with all applicable documents, program regulations, state statutes and the Authority’s policies and procedures, (ii) identify opportunities to minimize the Authority’s risk through the evaluation and oversight of financial sustainability of the portfolios, physical condition and management operations, and (iii) preserve the long term affordability and sustainability of the Authority’s multifamily rental housing development portfolios. 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. Owners 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 portfolio 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. Owners must comply with applicable housing 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 for the Authority’s approval. 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 owner 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 or agreement is not required.

#### **(a) Management Plan**

The management plan shall describe fully and accurately the proposal for the management of the multifamily rental housing development and shall set forth all material circumstances or features affecting the multifamily rental housing development. The management plan shall not be effective until accepted by the owner and approved in writing by the Authority. The management plan



shall be incorporated into the management agreement. The management plan shall include: (i) a tenant-selection plan; (ii) the relationship between the management agent and the owner, 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; (iii) a comprehensive description of the policies and procedures to be followed in the management of multifamily rental housing development, including relating to affirmative fair marketing; and (iv) other documents and matters deemed necessary by the Authority.

(b) Management Agreement

The management agreement shall set forth all of the terms, conditions, covenants, and agreements between the owner and the management agent concerning the management of the multifamily rental housing development. The management agreement shall not be effective until executed by the owner and the management agent and accepted in writing by the Authority. Management agent's duties and responsibilities shall be detailed in the management agreement.

(c) Management Agent

- (1) The selection of a proposed management agent shall be subject to the prior approval of the Authority on an individual property basis.
- (2) All changes in management agents shall require 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) Compensation to the management agent for performance of its responsibilities under the management agreement shall be approved in writing in advance by the Authority.

#### **B-4. Rent Increases**

All proposed rent increases for rent restricted units shall be reviewed and accepted by the Authority in writing in advance and shall be subject to all applicable statutory and regulatory requirements.

## **B-5. Performance Assessment**

Asset Management shall perform periodic assessments of management and the physical and financial condition of each multifamily rental housing development. The Authority shall determine the level of performance of each multifamily rental housing development based on these assessments.

## **B-6. Escrow Reserve Release Process**

(a) The Authority shall approve the release of funds from any escrow accounts held by the Authority subject to mortgage and regulatory requirements.

(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 default or non-compliance, the Authority may deny a request for release of funds from any escrow account. 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**

Throughout the operating period, mortgagors/owners shall be required to evaluate the capital needs 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, from time to time, require a capital needs assessment report prepared by an acceptable third-party provider in a format approved by the Authority.

## **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 owner obligations set forth in the Extended Low-Income Housing Commitment ("ELIHC") for the multifamily rental housing development, prepared by the Authority. All property owners must comply with all requirements of the LIHTC Program through the expiration date of the ELIHC. CHFA reserves the right to enforce these requirements whether by legal or other equitable action.

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## **C. SPECIAL PROGRAMS**

### **C-1. Small or Emergency Loan Program**

(a) The Small or Emergency Loan Program may be offered by the Authority to provide financial assistance to Private Portfolio and State-Sponsored Housing Portfolio owners of multifamily rental housing developments consistent with the purposes of these Procedures and subject to available Authority funding. Such financial assistance may include newly advanced, forgiven or forborne mortgage loan principal and/or interest. Small or Emergency Loans shall be available to owners of existing affordable multifamily rental housing developments through a streamlined application approval process and shall be reviewed and approved by an Authority staffed committee designated by the Executive Director. All approved loans shall be 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. In the case of financial assistance made for repairs and/or improvements, 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) Limitations for financial assistance provided under the Small or Emergency Loan Program shall be 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, as adopted from time to time, the purpose of this program is to provide funding to assist in the preservation of the affordability and the sustainability of affordable multifamily rental housing developments.

### **C-3. Multifamily Debt Restructuring Program**

(a) The Multifamily Debt Restructuring Program shall establish criteria from time to time 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. In connection with any such restructure, and provided the Authority has received a restructure proposal deemed by the Authority to be consistent with the purposes of this Section and these Procedures, the Executive Director may extend any existing loan maturity for a period not to exceed 12 months.

(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 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 may contact the Authority to request its assistance.

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**Multifamily Asset Management – Special Programs**

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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. The Authority provides guidelines, instructions, and forms for participating lenders in its Home Mortgage Programs Operating Manual, Loan Program Outlines & Underwriting Guides, Bulletins and Lender Forms (collectively referred to as the "Home Mortgage Programs Operating Manual").

#### 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) in the case of a non-depository financial institution, maintain a minimum tangible net worth of \$250,000 or such other amount (if higher) as the State of Connecticut Department of Banking may require as a condition of licensing as a mortgage lender or provide a letter of credit, available and otherwise uncommitted line of credit, bond or other financial instrument acceptable to the Authority totaling such amount;
- (3) be in compliance with applicable federal and state laws, regulations promulgated thereunder and any licensing requirements by agencies of government having jurisdiction;
- (4) maintain quality control and management systems to evaluate and monitor the overall quality of its origination activities, and
- (5) execute a 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) in the case of a licensed mortgage servicer, maintain a minimum tangible net worth as required by the Connecticut Department of Banking as a condition of licensure 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 a 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 other agreement governing the closing, origination, or servicing of loans for the Authority, 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 or other agreement governing the closing, origination, or servicing of loans for the Authority in accordance with the provisions thereof.

(e) The Authority may approve a participating lender which offers rehabilitation mortgage loans or construction loans but does not offer all the other loan products offered by the Authority. Otherwise, participating lenders shall offer all loan products offered by the Authority under the Homebuyer Mortgage Program, except for: (i) rehabilitation mortgage loans, (ii) construction loans, (iii) mobile/manufactured homes loans, (iv) USDA loans, or (v) VA loans. A participating lender need not accept applications for mortgage loans on homes located outside its normal geographic lending areas. The Authority shall have the discretion to limit the participating lenders which are allowed to offer new loan products to only certain participating lenders. The Authority shall have the discretion to deny a request by a lender to become a participating lender based on the number of approved participating lenders and the geographic areas served by the approved participating lenders.

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

(g) A participating lender may sponsor a “broker” to originate mortgage loans with the prior written approval of the Authority. The sponsoring participating lender shall be in good standing in order to sponsor a broker. In addition to such other requirements as the Authority may from time to time establish in its Home Mortgage Programs Operating Manual, to be approved as a broker to originate mortgage loans by the Authority, the broker must meet the same criteria for a participating lender to originate mortgage loans as described in subsection (b) above, except as follows:

- (1) the broker shall have a minimum tangible net worth of \$50,000;
- (2) the broker may be required to execute a Master Commitment Agreement for Mortgage Purchases or other agreement setting forth its obligations to the Authority;
- (3) the broker 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) the broker shall conform to guidelines as required by the Connecticut Department of Banking regarding licensing required to act as a broker in the State of Connecticut.

An approved broker 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 Home Mortgage Programs Operating Manual, and the Master Commitment Agreement for Mortgage Purchases. The Authority reserves the right to limit the number of brokers and may rescind approval of a broker at any time with (prior) written notice.

### **A-3. Distribution of Funds**

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

(b) Funds 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. 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.

(c) The Authority reserves the right to hold back a portion of any available funds for use in special programs, in furtherance of its goals in providing financing for owner-occupied one-to four-family housing (such as for urban area mortgages). 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, and, in the case of all mortgage loans purchased directly by the Authority, all information and documents required to comply with the rules and regulations of the Connecticut Department of Banking, any mortgage insurer or guarantor, and the Home Mortgage Programs Operating Manual.

#### **A-5. Eligible Borrowers**

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

(a) Has the financial capacity to repay such loan and has aggregate income at an annualized rate at the time of application at or below the applicable income limit in effect at the time of application, which limit may be different for an applicant purchasing residential property in a targeted area designated by the Authority;

(b) Agrees to occupy and use the residential property to be purchased or rehabilitated for a principal residence;

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

(d) Has not, at any time during the three years preceding the date the mortgage loan is executed, had a present ownership interest (as defined by the Home Mortgage Programs Operating Manual) in their 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 and state law, and

(e) 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 only 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 property to be financed is being purchased as the principal residence of the borrower. The borrower shall occupy the property within sixty (60) days of the closing.



(b) The Authority may in its discretion 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 principal 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.

(c) The Authority may declare the failure to occupy to be a default of the mortgage loan and may pursue all remedies available under the note and mortgage as permitted by applicable law, 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 property as a principal residence, unless the Authority has extended the time for occupancy as provided herein, in the case of an Authority loan to refinance the rehabilitation of the mortgaged property, or has otherwise been permitted by the Authority.

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

## **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 calculated in compliance with Section 143 of the Internal Revenue Code and applicable Revenue Procedures issued by the Internal Revenue Service. Presently under the Internal Revenue Code, the family income of applicants shall be determined by the Secretary of the Treasury after taking into account the regulations prescribed under section 8 of the United States Housing Act of 1937 (or, if such program is terminated, under such program as in effect immediately before such termination).

## **A-8. Evidence of income**

Each applicant for an Authority's home mortgage loan shall provide such evidence as the Authority may deem appropriate, consistent with industry practice and current requirements under the Internal Revenue Code and other applicable laws. Such evidence may include, in the Authority's discretion, the procurement by a participating lender of income and employment verification, federal income tax returns, and such other documentation as may be common in the industry.

## **A-9. Urban Area Mortgages**

The Authority may finance mortgage loans in certain State and Federally designated urban targeted areas of the state, with a higher limit on the borrower's income, a higher limit on the acquisition cost, and a lower interest rate than for borrowers applying in other areas. Such applications are considered only when such desired loans may not otherwise be available on "reasonable terms" as determined by the Authority.

## **A-10. Family Size**

For purposes of the income limitations, 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.

## **A-11. Disposal of Other Residential Property**

The Authority may set forth in its Home Mortgage Programs Operating Manual requirements relating to the disposal of 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.

## **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 FNMA, FHLMC, FHA, VA, and USDA Guidelines, as applicable, the terms of the Act and these procedures. Reasonable efforts shall be undertaken to verify information given in such application. In the case of applicants who qualify for multiple loan products, the Authority may require that participating lenders offer such applicants the opportunity to obtain the loan product which is most suitable to such applicants, provided a participating lender may offer more than one loan product to any such applicant.

## **A-13. Denial Caveat**

Except in the case of a credit union or other depository institution with a limited field of membership and whose deposits are federally insured, 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**

Unless otherwise allowed by the Authority, a borrower may not have more than one outstanding Authority first 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 unless the Authority provides an exception.

#### **A-15. Qualification as an Eligible Dwelling**

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 (one of which will be occupied as the principal residence of the borrower) or may be an owner-occupied unit of a multi-unit complex such as a condominium or a planned unit development. 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 (other than incidental 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.

#### **A-16. Minimum Down payments**

The minimum down payment 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 down payment, 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**

The Authority shall from time to time adopt income limits and sales price limits, provided that such 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 Authority to carry out the policies and purposes of the Act by the Authority, as follows:

- (1) The Authority shall adopt income limits for borrowers in accordance with the following:
  - (A) the income of the mortgagor shall not exceed 100 percent in the case of 1-2 person households or 115 percent in the case of all other households of the applicable median income, unless either (i) the

mortgaged property is in a Targeted Area (for which the income limit shall conform to the applicable IRS limit), or (ii) the mortgaged property is located in a high housing cost area, in which case the Authority may adjust the income limit in conformity with the Internal Revenue Code; 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 120 percent or less in the case of 1-2 person households or 140 percent or less in the case of all other households 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;
  - (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”; and
- (E) the Authority in its discretion may establish a cap on the sales price which is less than the IRS limits in order to preserve its lending capacity for housing which is consistent with its mission of serving low and moderate income families and persons.

### **A-18. Computation of Sales Price (Acquisition Cost)**

(a) The acquisition cost (which is commonly but not always the sales price) of an eligible dwelling shall not exceed the applicable sales price limit established by the Authority and in effect at the time of the application. The acquisition cost 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). In conformity with the Internal Revenue Code and IRS Regulations, for purposes of determining the acquisition cost, other costs and items may be included in the computation.

(b) The following items shall be included in the computation of the acquisition cost 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 to be located, if such land has been owned by the borrower less than two years prior to the commencement of construction of the eligible dwelling or the value of such land if it was acquired by the borrower as a gift less than 12 months prior to the closing of the Authority loan.

(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 Eligibility Certificate 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 price (i.e., acquisition cost) of the eligible dwelling, as computed in accordance with these procedures.

(f) Based on the participating lender's review of the Acquisition Cost Worksheet and other relevant documentation, the participating lender shall certify that the acquisition cost does not exceed the applicable acquisition cost limit.

(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 are 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. 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-22. 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) (i) 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, (ii) the lease is of a lot in a mobile manufactured home park which is indefinitely renewable under Connecticut General Statutes Section 21-70(b), and such lease is acceptable to a third party mortgage insurer, and the Authority receives an acceptable mortgage insurance policy, or (iii) the loan is for the purchase of a mobile manufactured home located in a manufactured housing community, in which case the lease may be renewable annually and private mortgage insurance shall not be required; 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-23. 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 Home Mortgage Programs 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-24. FHA-Insured, RD-Guaranteed and VA-Guaranteed Mortgage Loans**

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

Each FHA-insured, RD-Guaranteed, or VA-guaranteed loan may be insured or guaranteed under one of the programs which may be available from time to time.

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

#### **A-25. Mortgage Insurance Coverage**

The duration and amount of mortgage insurance or guarantees with respect to the Authority's mortgage loans shall be maintained consistent with industry standards and applicable law. Any mortgage insurance or guarantee shall be in full force and effect as of the date the Authority acquires an interest in the mortgage, 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 Connecticut Department of Insurance.

Private mortgage insurance for loans (including loans on 2-4 family homes), whether such loans close before, on or after July 29, 1999, shall be subject to cancellation or termination pursuant to applicable law, including, when applicable, the provisions of the Federal Homeowners Protection Act of 1998.

#### **A-26. 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 by the participating lender 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, except in the case of a mortgage loan to finance a condominium unit, hazard insurance premiums, as required by the mortgage insurer, in addition to the monthly amortization payments. A loan servicer 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-28 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-27. 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-28. Hazard/Flood Insurance Coverages**

(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 warrant compliance with the provisions of the Flood Disaster Protection Act of 1973, whenever such provisions are applicable to any Authority mortgage loan. If flood insurance is required under federal law, 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 federal law, 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 or the servicer at least ten (10) days in advance of the effective date of any change or cancellation of a policy.

(3) A participating lender prior to loan purchase and thereafter the servicer 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, the servicer 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-29. 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, mortgage insurance premiums (if any), and hazard insurance premiums (when hazard insurance premiums are required to be escrowed by the mortgage insurer or guarantor), except in the case of a property which is an individual unit in a condominium covered by a blanket insurance policy purchased by the homeowners' association.

(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 the amounts established by the Authority under the Authority's Home Mortgage Programs Operating Manual or by bulletins issued by the Authority.

(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 and other expenses but not to exceed the limits (if any) established by the Authority under the Authority's Home Mortgage Programs Operating Manual or by bulletins issued by the Authority. Such expenses include cash expenditure to pay for outside services rendered, such as appraisals, surveys, legal representation, credit report, and other items as determined to be acceptable 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-32 entitled "Repurchase Requirements" of these procedures.

(g) The participating lender shall forward the complete loan purchase package to the Authority containing all documents required by the Authority within the time period set forth in the Home Mortgage Programs Operating Manual. 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 such time period 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-30. 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 a servicing agreement with a servicer.

For a servicer or sub-servicer to be approved to service or sub-service Authority loans where the servicer is not approved by the Authority as a participating lender, the institution must meet the same criteria for a participating lender to be approved to service loans as set forth in Section III.A-2(c).

### **A-31. Assumptions**

(a) The standards for assumption of the Authority's loans depend upon the type of mortgage insurance or guaranty used. These standards are as follows:

(1) 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 if Section 143 of the Internal Revenue Code and applicable Revenue Procedures issued by the Internal Revenue Service are satisfied, including the property and the assuming buyer, respectively, qualifying as an eligible dwelling and as an eligible borrower, according to those standards in effect at the time of the assumption, such as the eligibility criteria in III.A-5 and the income limitations in III.A-17. The servicer shall forward such documentation to the Authority as is required for approval of new loans.

(2) VA loans are assumable in accordance with 38 CFR Part 36 and for which a copy of the Veteran's Consent Statement (if required by 38 CFR Part 36) shall be filed with the Authority.

(3) PMI loans require the assuming buyer(s) to obtain the PMI company's written approval of the assumption.

(4) Following the assumption, the servicer shall provide the Authority with such documentation as is required by the Home Mortgage Programs 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 may in its discretion release an original borrower from liability following the assumption of a loan.

### **A-32. Repurchase Requirements**

Upon a participating lender's failure to comply with reasonable requests from the Authority or the servicer or sub-servicer acting on the Authority's behalf 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 Home Mortgage Programs 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 either be re-assigned to the participating lender or, at the discretion of the Authority, the Authority may reduce the compensation to the lender for such loan. When the mortgage is re-assigned, the participating lender shall repurchase the mortgage loan as provided under the terms of the Master Commitment Agreement for Mortgage Purchases.

### **A-33. Rehabilitation Mortgage Loans**

The Authority may make funds available for rehabilitation mortgage loans. Such loans shall meet the requirements of the Home Mortgage Programs 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-34. 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 photographic media, in electronic format acceptable to the Authority, or in another manner which complies with state law.

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-35. 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-36. Homeownership Program for Public Housing Tenants**

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 Authority; this interest rate will be lower than the regular Homebuyer Mortgage Program interest rate. Qualified persons under this program must participate in such pre-purchase or homeownership counseling as may be required by law or by the Authority. Other eligibility and underwriting requirements will follow the Authority's regular Homebuyer Mortgage Program guidelines.

### **A-37. Insurance Fund Program**

The Authority generally requires that each home mortgage loan be insured pursuant to Sections III A-23, A-24, and A-25 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 Home Mortgage Programs Operating Manual and the Authority's Insurance Fund Operating Manual.

**Single Family  
Homebuyer Mortgage Program  
Revised: 9/26/24  
Adopted: 12/1/24**

## **B. MORTGAGE BACKED SECURITY FINANCING**

### **B-1. Introduction**

In furtherance of its first lien mortgage loan programs, the Authority may direct participating lenders to assign certain mortgage loans to one or more designated servicers (each a “Master Servicer”) pursuant to a contract between the participating lender and Master Servicer instead of assigning such loans directly to the Authority.

The Master Servicer then assembles and delivers pools or securities guaranteed by the Government National Mortgage Association (“GNMA”), the Federal National Mortgage Association (“FNMA”) or the Federal Home Loan Mortgage Corporation (“FHLMC”), commonly referred to as Mortgage Backed Securities or “MBSs”. The Authority subsequently purchases such MBSs.

In the case of the GNMA program, the mortgage loans must be government insured, and in the case of the FHLMC or FNMA program, the mortgage loans must be insured by private mortgage insurance companies or meet applicable FNMA or FHLMC guidelines for not requiring private mortgage insurance.

### **B-2. Standards**

Participating lenders must generally satisfy the same requirements and restrictions for loans to be assigned to a Master Servicer as the participating lenders must satisfy for loans to be sold to the Authority under the Homebuyer Mortgage Program.

Participating lender must also satisfy any additional requirements of the Master Servicer to be eligible to assign loans to the Master Servicer.

### **B-3. Rights of Master Servicer**

As to loans which would otherwise be assigned to CHFA under the Homebuyer Mortgage Program, the Master Servicer is the holder of such loans. The Master Servicer therefore is the entity which: (a) holds the rights to enforce the occupancy requirements, (b) has rights to be named as the insured under the required policies of title insurance, hazard insurance and flood insurance (if applicable); (c) is entitled to possess the original loan documents, (d) has the authority to establish an assumption policy, and (e) can require a repurchase of loans which do not satisfy the applicable requirements.

**Single Family  
Mortgage Backed Security Financing  
Adopted: 12/1/24**



## **C. GENERAL HOMEOWNERSHIP LOAN PROGRAM**

### **C-1. Introduction**

The General Homeownership Loan Program is a first lien mortgage loan program to assist applicants finance their principal dwellings. This program is a companion program to the Authority's Homebuyer Mortgage Program. This program is designed to enable applicants to obtain financing with the support of the Authority even if such applicants do not qualify under the Homebuyer Mortgage Program, for which the Authority issues tax exempt bonds. Accordingly, several requirements and restrictions which apply under the Homebuyer Mortgage Program, including but not limited to the requirement for loan applicants generally to be first time homebuyers as well as the restrictions on applicants' incomes and the sales prices of the properties, will not apply to applicants under this program. The Authority in its discretion may nonetheless provide financing under this program to applicants who qualify under the Homebuyer Mortgage Program depending on market conditions and available resources.

Funding for the General Homeownership Loan Program will be from sources other than tax-exempt bonds and may include (but is not limited to) proceeds from the sale of mortgage-backed securities ("MBSs") which may be sold on a "To Be Announced" (also known as "TBA") basis.

### **C-2. Participating Lenders**

A Participating Lender under the Homebuyer Mortgage Program shall be eligible as a participating lender under the General Homeownership Loan Program.

### **C-3. Distribution of Funds**

The Authority will notify participating lenders through the issuance of bulletins of the program and of the availability of funds. Participating lenders must tentatively determine that a prospective borrower is qualified under Section III, C-5. Otherwise, funds shall be available and distributed on the same basis as funds are allocated for the Homebuyer Mortgage Program.

### **C-4. Commitments for Mortgage Purchase**

The Authority will only issue commitments to purchase mortgage loans that will be Ginnie Mae, Fannie Mae, or Freddie Mac qualified and that can be pooled.

### **C-5. Eligible Borrowers**

Borrower eligibility under this program shall be the same as the eligibility criteria established in the Homebuyer Mortgage Program (Section III A), except that a borrower: (i) may have had a present ownership interest in their principal dwelling within the prior three years; and (ii) may use the loan proceeds to either refinance an existing mortgage on their property or to finance the acquisition of the remaining interest in a property for which they already own a partial interest in addition to using the loan proceeds to purchase a new home.

## **C-6. Occupancy**

The same owner occupancy requirement under the Homebuyer Mortgage Program (Section III.A) applies under this program except that the borrower has more than sixty (60) days from the closing to take occupancy of the property as a primary residence.

## **C-7. Credit Review**

In determining whether or not an applicant's income is sufficient to demonstrate the capacity to repay the loan, an applicant's income shall be computed using the factors customarily considered for loans to be eligible to be sold to Fannie Mae or Freddie Mac. A participating lender shall submit to the Authority evidence adequate to support its determination.

## **C-8. Evidence of Income**

Each applicant for an Authority home mortgage loan shall provide the same evidence as the Authority may require for the Homebuyer Mortgage Program except for such evidence as is unique to a homebuyer mortgage program funded with tax exempt bonds.

## **C-9. Urban Area Mortgages**

The Authority may finance mortgage loans in certain State and Federally designated urban targeted areas of the state in the same manner (although with different limits on the borrower's income) as the Authority does under the Homebuyer Mortgage Program.

## **C-10. Family Size**

The family unit of an applicant shall be determined in the same manner as for the Homebuyer Mortgage Program.

## **C-11. Disposal of Other Residential Property**

The Authority may but need not require that the borrower dispose of any borrower-occupied residential real estate under a bona fide arm's-length transaction before the closing on an Authority loan.

## **C-12. Determination by Participating Lender**

The obligation by the participating lender to make a determination of the qualifications of applicants and to offer multiple loan products to applicants shall be the same as for the Homebuyer Mortgage Program.

### **C-13. Denial Caveat**

The right of a participating lender to deny the Authority's mortgage loan to a borrower who is not a depositor or customer of the participating lender or based on the borrower's membership or lack of membership in a particular group shall be the same as for a lender under the Homebuyer Mortgage Program.

### **C-14. Multiple Loans**

A borrower's ability to have more than one outstanding Authority first mortgage loan, including an Authority mortgage loan that has been assumed by another borrower shall be the same as for a borrower under the Homebuyer Mortgage Program.

### **C-15. Qualification as an Eligible Dwelling**

An Authority mortgage loan may be made to finance or refinance the acquisition or rehabilitation of an eligible dwelling. The same criteria for determining whether a dwelling is an eligible dwelling for the Homebuyer Mortgage Program shall apply to this program and the participating lender shall make the preliminary determination as to whether a dwelling is an eligible dwelling.

### **C-16. Minimum Down payments or Appraised Value**

The same minimum down payments as are required for a loan in the Homebuyer Mortgage Program shall apply to this program. In the case of a loan to refinance the acquisition of an eligible dwelling, the minimum appraised value 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 minimum appraised value, if any, required from time-to-time by PMI, FHA, RD or VA or such other insurance program accepted by the Authority.

### **C-17. Income Limits**

The Authority shall from time to time adopt income limits based on (but not limited to) the area median income as determined by Fannie Mae and Freddie Mac. Such income limits shall not exceed 120% of the area median income as determined by either Fannie Mae or Freddie Mac.

### **C-18. Sales Price Limits, Appraisals, and Surveys**

(a) The Authority may in its discretion adopt: (i) a limit on the sales price of a home to be financed under the General Homeownership Loan Program, and (ii) the manner in which the sales price for purposes of such limit shall be computed.

(b) (i) 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, and shall be made by appraisers acceptable to the Authority. Appraisal reports shall be submitted to the Authority together with other loan documents.

(ii) The value of property shall be determined in the same manner as for the Homebuyer Mortgage Program.

(iii) The Authority's option to reject a loan based on an excessive appraisal or to require an independent appraisal shall be the same as for the Homebuyer Mortgage Program.

(iv) Notwithstanding the foregoing, in lieu of an appraisal the Authority can accept alternative valuation methods in instances where such alternative valuation methods are accepted by Ginnie Mae, Fannie Mae, or Freddie Mac.

(c) The requirements for surveys shall be the same as for the Homebuyer Mortgage Program.

### **C-19. Eligible Condominiums (Common Interest Community)**

The Authority's mortgage loans under this program may be made to finance or refinance the acquisition of any condominium units which would be eligible under the Homebuyer Mortgage Program.

### **C-20. Condominium Project Eligibility**

The criteria for a condominium project to be eligible for this program shall be the same criteria established under the Homebuyer Mortgage Program.

### **C-21. Detached Single Family Houses in a Multi-Unit Complex**

Detached single family houses in a multi-unit complex shall be eligible for financing on the same basis as such houses are eligible under the Homebuyer Mortgage Program.

### **C-22. Leasehold Interests**

The same requirements which apply under the Homebuyer Mortgage Program shall apply to loans secured by a mortgage on a leasehold interest.

### **C-23. Mortgage Insurance or Guaranty**

The conditions and requirements for mortgage insurance or guaranty shall be the same as for the Homebuyer Mortgage Program.

### **C-24. FHA-Insured, RD-Guaranteed and VA-Guaranteed Mortgage Loans**

The terms, conditions, fees and acceptability of mortgage loans insured by FHA insurance, RD guarantees or VA guarantees shall be the same as for the Homebuyer Mortgage Program.

### **C-25. Mortgage Insurance Coverage**

The duration and amount of mortgage insurance or guarantees, the private mortgage insurer's commission, fee or other compensation, and the terms and conditions for cancellation or termination of private mortgage insurance shall be the same as for the Homebuyer Mortgage Program.

### **C-26. Terms and Condition of Authority Mortgage Loans**

The terms and conditions applicable under Section III.A of these Procedures to the Homebuyer Mortgage Loans shall also apply to loans under this program.

### **C-27. Title Insurance**

The Authority loans under this program are subject to the same title insurance requirements which apply to the Homebuyer Mortgage Program.

### **C-28. Hazard/Flood Insurance Coverages**

The Authority loans under this program are subject to the same hazard and flood insurance requirements which apply to the Homebuyer Mortgage Program.

### **C-29. Loan Purchase**

In addition to the obligations and conditions which a participating lender has agreed to with a master servicer purchasing loans directly from the participating lender, participating lenders are subject to the same obligations and conditions to a loan purchase by the Authority (in the case of loans purchased by the Authority) or a loan purchase by a master servicer as apply under the Homebuyer Mortgage Program.

### **C-30. Loan Servicing**

Participating lenders shall deliver all loans to a servicer designated by the Authority, or if there is no designated servicer, to the Authority.

### **C-31. Assumptions**

Loans may be assumed, subject to such consent as the servicer may require. The prior consent of the Authority is not required.

### **C-32. Repurchase Requirements**

Participating lenders are subject to the requirements for repurchase adopted by the servicer.

### **C-33. Rehabilitation Mortgage Loans**

The Authority will only issue commitments to purchase mortgage loans that will be Ginnie Mae, Fannie Mae, or Freddie Mac qualified and that can be pooled. 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.

### **C-34. Retention of Records; Inspection of Books**

Participating lenders have the same obligations as to the retention and delivery of records and to permit the inspection of records and books as under the Homebuyer Mortgage Program.

### **C-35. Records of Declined Applications**

Participating lenders have the same obligation to maintain accurate records and to deliver records upon request as under the Homebuyer Mortgage Program.

### **C-36. Homeownership Program for Public Housing Tenants**

The criteria for making 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 shall be the same as for the Homebuyer Mortgage Program.

### **C-37. Insurance Fund Program**

When mortgage insurance is not available through FHA, VA, RDA, or PMI, the Authority may permit certain loans to be insured through its own Insurance Fund on the same basis as for loans under the Homebuyer Mortgage Program, except that loans need not be for acquisition nor only for persons who are first time homebuyers.

**Single Family  
General Homeownership Loan Program  
Adopted: 12/1/24**

## **D. DOWNPAYMENT ASSISTANCE PROGRAM (DAP)**

### **D-1. Introduction**

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

### **D-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 B.

### **D-3. Occupancy, Eligible Dwellings**

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

### **D-4. Terms & Conditions**

(a) The Authority shall establish the terms and conditions of any loan provided in accordance with this program. The term of the DAP loan shall be established by the Authority in its discretion, but in no case shall the term of the DAP loan exceed thirty years if the first mortgage loan is a graduated payment mortgage. If the homebuyer under the program assigns, transfers or otherwise conveys their 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 except as otherwise provided by applicable law. The Authority, at its discretion, may adjust the interest rate, terms and conditions of any loan if the Authority determines that the homebuyer is unable to repay the loan and the adjustment will facilitate repayment.

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

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

(e) Borrowers under the Authority's Homeownership Program shall be eligible for a DAP loan at an interest rate as determined by the Authority.

(f) The Authority may provide loans to borrowers with a debt-to-income ratio equal to the highest debt-to-income ratio permitted by the Federal Housing Administration, the Federal National Mortgage Association, and the Federal Home Loan Mortgage Corporation for residential mortgage loans, as applicable, subject to any other limitations under applicable law, and consider (i) the application of a prospective borrower, regardless of the prospective borrower's credit score, and (ii) nontraditional credit references submitted by the prospective borrower including, but not limited to, proof of employment or proof of rental and utility payments.

(g) If the property is located within an affordability incentive zone, the Authority may utilize lending guidelines that are different from the guidelines utilized for the purchase of a property not located within an affordability incentive zone. Such alternative lending guidelines may include, but need not be limited to, increased eligibility limits with respect to the purchase price of the property, a different maximum loan amount, or a reduced interest rate for any such loan.

#### **D-5. Closing Costs**

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

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

#### **D-6. Underwriting**

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

**Single Family  
Downpayment Assistance Program  
Revised: 9/26/24  
Adopted: 12/1/24**



## **E. TEACHERS MORTGAGE ASSISTANCE PROGRAM**

### **E-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.

### **E-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 Technical Education and Career System at a technical education and career 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; or
  - (5) who graduated public high school in an educational reform district, as defined in CGS Section 10-262u; or
  - (6) who graduated from an historically black college or university or a Hispanic-serving institution, as those terms are defined in the Higher Education Act of 1965, P.L. 89-329, as amended from time to time, and reauthorized by the Higher Education Opportunity Act of 2008, P.L. 110-315, as amended from time to time.
- (c) is purchasing a principal 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 Technical Education and Career System at a technical education and career 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.

### **E-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 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. 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: 9/26/24**  
**Adopted: 12/1/24**

## **F. POLICE HOMEOWNERSHIP PROGRAM**

### **F-1. Introduction**

Pursuant to legislation enacted in 1996, Connecticut General Statutes Section 8-265mm required the Authority to develop and administer from January 1, 1997 to December 31, 1999 on a pilot basis a Police Homeownership Program to provide 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. A purpose of the original program was to reduce crime by promoting an increased police presence in the community. Following the expiration of the duration of the statutorily mandated pilot period, the Authority has continued to offer and administer a modified Police Homeownership Program (the "Program").

### **F-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 in the case of a local police officer, (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.

### **F-3. Eligible Dwelling**

An eligible dwelling is a one, two, three, or four-family residence. The dwelling must also comply with the requirements of the Authority's regular Homebuyer Mortgage Program, including sales price limits.

### **F-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 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) The term of the mortgage loan shall be thirty (30) years.

(d) Any applicant for a loan under the Program shall be eligible to apply for a downpayment assistance loan pursuant to Section III.H of the Authority's Procedures. The interest rate will be as determined by the Authority.

(e) A local police officer must purchase an eligible dwelling in a the municipality by which the officer is employed. A state police officer may purchase an eligible dwelling under the Program in any municipality.

**Single Family  
Police Homeownership Program  
Revised: 9/26/24  
Adopted: 12/1/24**

## **G. EMERGENCY MORTGAGE ASSISTANCE PAYMENT PROGRAM**

### **G-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 assistance payments on behalf of Homeowners either in the form of mortgage assistance or lien assistance. Homeowners who are mortgagors can qualify for mortgage assistance for a period of up to sixty months after the occurrence of the monetary default for which emergency mortgage assistance payments are provided in order to maintain the homeowner(s) as current and in good standing in accordance with mortgage terms and conditions. Commencing as of October 1, 2021, Homeowners could also obtain lien assistance in the form of payments made on the Homeowner’s behalf to the “Lienholder” which holds a qualifying “Lien”. Assistance provided on behalf of the homeowner(s) is an obligation of the homeowner(s). Repayment of this assistance is in the form of a mortgage secured by the homeowner’s real property. The Authority is administering this Program. Payments pursuant to the Program to a mortgagee or a Lienholder 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 assistance is to be deposited in such accounts as the Authority may establish or identify for such purpose, and be used for the purposes of the Program.

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(G-1) through Section III(G-6) of the Procedures, except to the extent set forth, or more particularly described, in Section III(G-7) below.

### **G-2. Definitions**

(a) “Aggregate Family Income” means the total income of adult persons residing in the same household as the Homeowner(s) and any other adult resident of the household, 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) income not regularly received, and (4) 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 Homeowner(s). Allowable adjustments to income may be periodically revised at the discretion of the Authority and uniformly applied to all applicants.

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

(c) “Housing Expense” means the sum of the homeowner’s monthly maintenance expenses in a common interest community, hazard insurance payment, taxes and required mortgage payment, including escrows.

(d) “Financial Hardship due to circumstances beyond the Homeowner’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 Homeowner 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 Homeowner(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; or (v) Disability, illness or death of a Homeowner; 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 Homeowner’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 Homeowner’s control.

(e) “Lien” means a debt secured by a lien on a one-to-four family owner-occupied residential real estate property located in Connecticut (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).

(f) “Lienholder” means the original lienor of a Lien, or its agents, successors or assigns.

(g) “Homeowner Assets” means (1) the sum of the household’s savings and checking accounts, market value of stocks, bonds and other securities, other capital investments, the value of any portion of pensions and retirement funds in excess of 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 Homeowner as contingent assets.

(h) “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.

(i) “Foreclosure Mediation Program” means the foreclosure mediation program established by Connecticut General Statutes Section 49-31m.

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

### **G-3. Eligibility**

(a) To be eligible for emergency mortgage assistance, a homeowner must either: (i) be the borrower under an Eligible Mortgage which encumbers a one-to four-family home or a unit in a common ownership interest community in the State of Connecticut who is, as a result of financial hardship due to circumstances beyond the Homeowner'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 homeowner's control, provided the Authority determines that such homeowner will be so delinquent upon review of facts and circumstances provided by the Homeowner or have received a notice from a Mortgagee of intent to foreclose, or (ii) be delinquent on a Lien such as charges, assessments and fees associated with a condominium or common interest community, or taxes, provided the taxing authority, unit owner association or other such Lienholder has indicated to the homeowner of its intention to foreclose as provided in section 8-265ff. 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 Homeowners (including, without limitation, a reverse mortgage or a home equity conversion mortgage).

(c) Homeowners who filed emergency mortgage assistance applications on and after July 1, 2008 who did not receive emergency mortgage assistance may re-apply. Homeowners who previously received emergency mortgage assistance are eligible to reapply if the Homeowner reinstated their mortgage and was not delinquent again during the six-month period immediately following such reinstatement. Homeowners may apply or reapply for emergency mortgage assistance if such homeowner is referred to the emergency mortgage assistance program by the foreclosure mediation program.

### **G-4. Application Process**

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

(b) Notification to Homeowner(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 a mortgagor of an Eligible Mortgage contractually delinquent, against whom it desires to foreclose upon an Eligible Mortgage, that the Homeowner(s) has 60 days from the date of such notice:

- (1) to 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 to attempt to reach an agreement to resolve the delinquency or default; and
- (2) if such efforts are unsuccessful, to contact the Authority during such 60-day time period in order to apply for Emergency Mortgage Assistance;

Should funds no longer be available to provide Emergency Mortgage Assistance, the Authority shall post a notice on its Internet website and will discontinue accepting applications. Upon receipt of such notice, Mortgagees will not be required to provide the Notification to Homeowner(s) described in this Subsection.

(c) Homeowner Application for Assistance:

(1) Upon contacting the Authority as described in Subsection b(1). above the Homeowner(s) will be informed how to apply for assistance and may be directed to the Authority's agent to make such application.

(2) Applications for assistance shall be filed on forms provided by the Authority. The Homeowner 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 assistance, the Authority will notify the Homeowner (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 Homeowner's application holding a mortgage on the Homeowner's principal residence.

(4) Determination on the Homeowner's application will be made within 30 calendar days of receipt of a completed application by the Authority or its agent.

(5) The Homeowner(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 Homeowner's application. Failure to provide such required information in a timely manner within the 30-day application period shall be grounds for denial. Denial for incomplete application will be documented in writing to the applicant indicating specific deficiencies.

(6) The Homeowner(s) shall provide such information as the Authority may require relative to:

- (A) financial hardship due to circumstances beyond the Homeowner's control;
- (B) Aggregate Family Income;
- (C) Housing Expense;
- (D) Homeowner assets and liabilities;
- (E) current mortgage insurance;
- (F) place of principal residence;
- (G) previous receipt of assistance;
- (H) residential mortgage payment history;
- (I) current mortgage statement evidencing the interest rate and payment increase; and
- (J) length of time the Homeowner has lived in the home.



(7) Upon failure of the Homeowner (s) to submit a completed application to the Authority or its agent within 60 days from the date of the Notification to Homeowner(s) by the Mortgagee described in subsection (b), above, or if the Homeowner's application for assistance payments is not approved within 30 days of the receipt by the Authority of the Homeowner's completed application, the Mortgagee, at any time thereafter, may pursue foreclosure without further restriction or requirement, in accordance with the Act.

## **G-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 Homeowner (s) is (are) suffering from financial hardship due to circumstances beyond the Homeowner's control based on the Authority's assessment of the Homeowner'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 in their home and other factors as the Authority may determine to be relevant; copies of tax bills; 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 Homeowner(s) has (have) insufficient household income or net worth to correct the delinquency or delinquencies within a reasonable period of time;

(3) the Homeowner(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 prospect that the Homeowner(s) will (i) be able to resume full mortgage payments on the original, modified or refinanced mortgage within sixty months after the monetary default for which emergency mortgage assistance payments are provided, or (ii) have sufficient equity to repay such mortgage and the Emergency Mortgage Assistance payments at the end of the time period for which such Emergency Mortgage Assistance payments are provided and (ii) to repay the Emergency Mortgage Assistance under the terms and conditions of repayment under the Act.

(b) Determination regarding an application for Emergency Mortgage Assistance will be made by the Authority based on the findings described in (a) above. Upon determination or the applicant's failure to timely submit a completed application, the Mortgagee and the Homeowner(s) will be notified in writing by mail.

(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 one or more Emergency Mortgage Assistance Payments in accordance with Emergency Mortgage Assistance Agreement and the amount of the initial and any ongoing payments. The notice to the Mortgagee and the Homeowner(s) shall indicate the amount, terms and conditions of the Emergency Mortgage Assistance and the Homeowner's monthly payment (if any) to the Authority.

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

(f) The Authority may in its discretion make an award in the form of monthly mortgage assistance payments, lump sum emergency mortgage assistance, or any combination thereof. The Authority may approve assistance to reduce the principal balance of the Eligible Mortgage to an amount for which the homeowner will have a reasonable prospect of resuming full periodic mortgage payments following disbursement of all emergency mortgage assistance provided by the Authority. The Authority may from time to time establish an aggregate limit on the amount of emergency mortgage assistance payments that a homeowner may receive. The limit of sixty months of emergency mortgage assistance shall include any payments that the Authority provides to reinstate a homeowner's mortgage or lien to a current status with the initial disbursement of assistance.

## **G-6. Loan Terms and Conditions**

(a) Homeowner Payment: While the Authority is making Emergency Mortgage Assistance Payments to the Mortgagee, and while the Homeowner(s) is (are) required to repay such Assistance, the Homeowner(s) shall make payment to the Authority in accordance with the Act and the Emergency Mortgage Assistance Agreement.

(b) Repayment Term: Repayment of the emergency mortgage assistance payments shall be deferred until the homeowner: (1) transfers title to the homeowner's residential real property, other than a transfer to another mortgagor under the same mortgage pursuant to a dissolution of marriage or by devise, descent or operation of law upon the death of a homeowner, (2) ceases to occupy the residential real property as a principal dwelling, or (3) obtains new mortgage loan financing, other than home improvement mortgage loan financing for repairs necessary to preserve the residential real property, which increases the amount of mortgage debt to an amount that is more than the amount of mortgage debt that encumbered the residential real property at the time when emergency mortgage or lien assistance payments were initially approved by the Authority.

(c) Payment Schedule: The Emergency Mortgage Assistance Agreement shall provide for monthly payments to the Mortgagee(s) for no more than sixty (60) months after the monetary default for which emergency mortgage assistance payments are provided, either consecutively or non-consecutively, except no such payments shall be made after sixty months have passed since the date of the initial payment.

(d) **Interest Rate:** the Emergency Mortgage Assistance Agreement may 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 (if any) shall either be payable from time to time or shall accrue. If interest accrues, such interest will either compound periodically or accrue as simple interest. For any such interest that accrues, (i) the Authority has the discretion to establish the rate of accrual at the time of the closing of the Emergency Mortgage Assistance Loan, provided that such rate shall not exceed the then highest rate on the Authority's homebuyer loan program, and (ii) such interest shall start to accrue at the end of the sixty month period established under Connecticut General Statutes Section 8-265gg(a) during which one or more emergency mortgage assistance payments were provided.

(e) **Periodic Recertification:** The Authority may in its discretion require Homeowner(s) to, from time to time, 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 to enable the Authority to determine the necessity for the continuation, termination or adjustment of assistance to or payments from the homeowner. 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:** Homeowner(s) shall not enter into any lien agreements subsequent to execution of the Emergency Mortgage 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 Emergency Mortgage Assistance Agreement.

(h) **Homeowner Default:** In the case of Homeowner default under the terms of the Emergency Mortgage Assistance Agreement, the Authority may 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.

## **G-7. Emergency Lien Assistance**

(b) **General Eligibility.** A Homeowner may apply for emergency lien assistance in accordance with this Section F 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.

(c) **Re-Application Eligibility.** In addition to the requirements set forth in this Section F 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.

(d) Forbearance Eligibility. In addition to the requirements set forth in this Section F, 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.

(e) 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.

(f) 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(G-6) of this Section of the Procedures.

**Single Family  
Emergency Mortgage Assistance Program  
Revised: 9/26/24  
Adopted: 12/1/24**

## **H. REVERSE ANNUITY MORTGAGE PROGRAM**

### **H-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.

### **H-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;
- (c) is in need of long-term care; and
- (d) 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 first 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.

### **H-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.

### **H-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 their 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.

## **H-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. A borrower may use RAM loan proceeds to cover housing expenses as well as costs for lawn maintenance and landscaping, snow removal, daily meals, in-home care, out-of-home care (including hospitals, convalescent nursing homes, homes for the aged or adult day care), medically indicated home alterations, to maintain the safety, security, and health-supportive elements of their home, long-term care insurance premiums, uninsured recurring and catastrophic medical expenses, prescription drugs, and other health care expenses.

### **Single Family**

#### **Reverse Annuity Mortgage Program**

**Revised: 9/26/24**

**Adopted: 12/1/24**

# **I. COMMON INTEREST COMMUNITY COMMON ELEMENT REPAIR LOAN PROGRAM**

## **I-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.

## **I-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.

### **I-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.

### **I-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.

### **I-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.

## **I-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.

## **I-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.

## **I-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**

## **J. LOAN FUND GUARANTEE PILOT PROGRAM**

### **J-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”).

### **J-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.

### **J-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.

### **J-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.

#### **J-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.

## **J-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**

## **K. RESIDENTIAL MORTGAGE REFINANCING GUARANTEE PROGRAM**

### **K-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.”

### **K-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.

### **K-3. Fees and Expenses**

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

### **K-4. Final Authorization**

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

### **K-5. Public Notice**

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

### **K-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.

### **K-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.

### **K-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.

### **K-9. Mortgage 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.

### **K-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.

### **K-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.

### **K-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.

### **K-13. Title Insurance**

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

### **K-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.

### **K-15. Certificate**

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

### **K-16. Secondary Markets**

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

### **K-17. Mortgagee Reporting**

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

### **K-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.

### **K-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.

## **K-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.

## **K-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.

## **K-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.

## **K-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.

## **K-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.

### **K-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.

### **K-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.

### **K-27. Eligible Mortgages for Refinancing**

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

### **K-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.

### **K-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.

### **K-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.

### **K-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.

### **K-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.

### **K-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.

### **K-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.

## **L. RESIDENTIAL MORTGAGE REFINANCING GUARANTEE PROGRAM II**

### **L-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.

### **L-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.

### **L-3. Public Notice**

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

### **L-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.

### **L-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.

### **L-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.

### **L-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.

### **L-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.

### **L-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.

### **L-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.

### **L-11. Mortgagee 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.

### **L-12. Fees and Expenses**

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

### **L-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.

### **L-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.

### **L-15. Secondary Markets**

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

### **L-16. Mortgagee Reporting**

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

### **L-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.

### **L-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.

### **L-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.

### **L-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.

### **L-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.

### **L-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.

### **L-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.

### **L-24. Guarantee Amount**

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



### **L-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.

### **L-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.

### **L-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.

## **M. HOMEOWNER'S EQUITY RECOVERY OPPORTUNITY LOAN PROGRAM**

### **M-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.

### **M-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.

### **M-3. 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.

### **M-4. 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.

## **M-5. 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.

## **M-6. 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.

## **M-7. 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.

## **M-8. 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: 9/26/24  
Adopted: 12/1/24**

## **N. HOMEOWNER COUNSELING AND EDUCATION**

The Authority by a resolution on March 30, 1978 recognized that many homebuyers are unaware of the complexities of homeownership, that there is a need to help homeowners understand the complexities of homeownership, and consequently authorized the Authority to commence a home counseling program.

To serve its mission, the Authority is authorized to provide directly or through approved vendors counseling and education services to assist the public in budgeting and avoiding financial pitfalls.

Such services may include pre-purchase education, pre-closing education, landlord education in the case of applicants purchasing a two- to four-family dwelling, financial fitness, financial coaching, and foreclosure prevention counseling.

**Single Family  
Homeowner Counseling and Education  
Revised: 9/26/24  
Adopted: 12/1/24**

## **O. 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: 8/29/13  
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. In order to administer the LIHTC Program, CHFA has established additional governing materials as described in the Authority’s Qualified Allocation Plan (as adopted from time to time, the “QAP”). The Authority’s Board of Directors has full discretion to independently review and decline to award any LIHTC application in accordance with the QAP.

##### A-1. LIHTC Allocation

The 9% LIHTC allocation process shall be as set forth in the QAP and may be conducted on the basis of a competitive annual funding round. Generally, the 4% LIHTC funding allocation process may be conducted on the basis of an open application process, *provided, however*, a Notice of Funding Availability (“NOFA”) may be issued for competitive allocations, unless otherwise specified, subject to policy objectives and administrative requirements of the Authority. The Authority’s Executive Director, or other authorized officer, shall establish a schedule for LIHTC funding rounds. LIHTC applications shall be accepted subject to published deadlines and/or the 9% LIHTC funding allocation process. All LIHTC applications shall be evaluated and rated in accordance with the QAP in effect at the time of application submission.

(a) Application Resubmissions. Any applicant whose LIHTC application is unsuccessful in a funding round may resubmit that application in a subsequent funding round. The completed resubmitted application must satisfy the requirements established in the applicable QAP. An application fee shall be required for each 9% application submission. If a resubmitted application is unsuccessful, any subsequent application contemplated must include material improvements, as determined by CHFA in its sole discretion.

(b) Forward Allocations. 9% LIHTC allocations in any calendar year will be limited to the LIHTC State housing credit ceiling for that calendar year, as determined in accordance with the Code (as amended), *provided, however*, with the approval of the Authority’s Board of Directors, the Authority may make awards or reservations for the purpose of forward allocations from future year LIHTC State housing credit ceilings.

##### A-2. 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 that 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 CHFA and the State and to incorporate any revisions to the Code, State regulations, and relevant industry best practices.

When changes are proposed for an existing QAP, the Authority shall publish a draft QAP reflecting such changes and shall conduct hearing(s) to allow for public review and comment. After consideration of all comments received during the public review period, the Authority's staff shall submit 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 shall be forwarded to the Governor for approval.

### **A-3. Submission and Eligibility**

A consolidated application shall be completed and submitted by an applicant seeking LIHTCs. Unless otherwise specified herein, reference to "LIHTC" application shall mean 4% and/or 9% LIHTC applications. Each LIHTC application shall be evaluated pursuant to the QAP in effect on the date of application and the Code. The completed application package must satisfy the requirements set forth in the QAP (the "Basic Threshold Requirements") and the policy objectives and administrative requirements of the Authority as set forth in guidelines promulgated by the Authority from time to time (the "LIHTC Guidelines"). In addition to the administrative requirements and the Code, 4% tax credit applications may also be subject to requirements published in a NOFA.

The determination of whether the applicant has satisfied all eligibility criteria, 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, in their sole discretion.

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 in determining its capacity to undertake new projects given its existing pipeline. The process for such consideration may be discussed with each applicant prior to 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-4. Processing**

Applications must be complete in the Authority's sole determination before a Authority financing proposal may be considered for approval. Upon receipt of a 9% LIHTC application submitted on or before the applicable deadline, staff will determine if it satisfies the required application criteria set forth in the QAP. Any 9% LIHTC application received by the Authority after the application deadline or determined to be incomplete shall be declined. The Authority reserves the right to seek clarification, if necessary. Upon receipt of a 4% LIHTC application, the Authority shall determine if it satisfies the Basic Threshold Requirements in accordance with the QAP. CHFA shall complete a final determination of program eligibility based on its final underwriting projections prior to initial closing. CHFA reserves the right to re-evaluate LIHTC Program eligibility at any time.

#### **A-5. Site Evaluation**

The Authority's staff or a designated third party shall conduct a site evaluation to determine if the proposed development site is acceptable and satisfies the criteria of the QAP.

#### **A-6. Project Selection Criteria and Ranking Procedures**

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

***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. The results of the final evaluation and ranking shall be determined solely by the Authority.

In accordance with the Code, as amended, the Authority shall establish a set aside for qualified non-profit applicants, shall determine which applications qualify for that set-aside, and no more than 90% of the State housing credit ceiling for any calendar year shall be allocated to projects that do not include qualified non-profits.

#### **A-7. Tax Credit Reservation**

Approved 9% LIHTC applications will receive a reservation of tax credits (each a "Tax Credit Reservation"), which must be executed by the applicant and returned to the Authority within the time period stated therein. The Authority shall determine the amount and timing for remittance of a tax credit servicing fee. A Tax Credit Reservation shall not be deemed an allocation in accordance with 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**

Neither the Authority-required appraisal, nor the Authority-ordered market study shall be required until after a 9% LIHTC Reservation has been executed. The receipt of the Authority-required appraisal and Authority-ordered market study shall be required prior to the execution of a Carryover (as defined herein) or the issuance of a 42(m) letter. Refer to Procedures Part II Rental Housing with respect to 4% and 9% LIHTC market study and appraisal requirements.

## **A-9. Reassessment**

Following the adoption of resolutions by the Authority's Board of Directors 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 Directors' funding round approval. 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 Directors, reassessments may result in a forward commitment of 9% LIHTCs in accordance with the current QAP. A successful reassessment will not result in the cancellation of a previously approved reservation.

## **A-10. 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 set by the Authority and the Code for a carryover allocation agreement ("Carryover"). 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 have been completed. The Authority shall establish a deadline for submission of materials necessary prior to the issuance of a Carryover and failure to meet this deadline may preclude issuance of a Carryover.

## **A-11. Construction and Cost Certification**

All applicants are subject to bidding requirements but may be exempt from having a General Contractor in place at the time of application. The Authority reserves the right to require competitive bidding 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 Board of Directors' approval or issuance of a 42(m) letter.

All LIHTC developments must provide 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 in order for the final funds disbursement to occur.

The applicant shall submit such information as the Authority deems necessary. The Authority's staff shall review the cost certification and make a determination that the amount of the LIHTC is necessary and appropriate, in accordance with the Code.

### **A-12. 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 during the initial LIHTC compliance period and the extended use period.

### **A-13. Subsidy Layering**

At the Authority's election and in accordance with applicable federal law and regulations including, without limitation, guidance from the Department of Housing and Urban Development ("HUD"), the Authority may perform 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. The Authority may charge an administrative fee for performing this service.

**Tax Credit Programs**  
**Low Income Housing Tax Credit**  
**Revised: 9/26/2024**  
**Adopted: 12/1/24**

## **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 Persons or Families. Plans to provide rental or ownership housing opportunities to Low- and Moderate- Income Persons or Families through the ownership, construction, acquisition or rehabilitation of housing for Low- and Moderate- Income Persons or Families, Workforce Housing, capitalization of a revolving loan fund, or the creation of a workforce housing development project (as defined in C.G.S. Section 8-395(a)(3)) shall individually and collectively herein be referred to as “Housing Program(s).” All statutory terms herein shall have the meanings as set forth in the C.G.S., and all other terms shall have the meanings set forth in the definitions herein.

### **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) "Low- and Moderate- Income Persons or Families" means person(s) or families whose total household income does not exceed 80% and 100% of Area Median Income, respectively;

(c) "Workforce Housing" means housing that is affordable for Low- and Moderate- Income Persons or Families that include- income wage or salaried workers in the municipalities where they work.

(d) “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 Low- and Moderate- Income Persons or Families, or in the case of Workforce Housing Low- and Moderate- Income Persons or Families that are 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) Each eligible Nonprofit Corporation may not receive more than an aggregate amount of \$500,000 annually in Contributions for its Housing Program(s).



(c) Eligible costs shall be defined in the Housing Tax Credit Contribution Program (“HTCC”) guidelines promulgated by the Authority from time to time.

#### **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. Nonprofit Corporation must have its articles of incorporation approved by the Executive Director of the Authority.

#### **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 information as required in HTCC guidelines promulgated by the Authority from time to time and any other information deemed appropriate by the Authority.

(c) The Executive Director of the Authority may, at his/her sole discretion, waive any of the non-statutory requirements relating to the documentation which must be submitted to the Authority for participation in the HTCC Program.

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. The evaluation ranking system categories, as set forth in C.G.S. Section 8-395, and as further described in HTCC Program guidelines and/or application materials promulgated by the Authority from time to time, shall

include the following: (a) readiness of the housing project to be built, (b) use of funds to build or rehabilitate a housing project or to capitalize a revolving loan fund, (c) income targeting benefitting families at or below 25% of Area Median Income and families between 25% of Area Median Income and 50% of Area Median Income, (d) administrative capability of the nonprofit corporation, (e) goals accomplished with respect to prior HTCC awards, (f) use of funds in urban areas and impact on neighborhood revitalization, and (g) the extent to which HTCC 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 Authority's discretion.

(c) Until sixty (60) days after the list of Housing Programs is published each year, \$2,000,000 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, \$1,000,000 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 documentation 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 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 on 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 Authority 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 qualified entities administering revolving loan funds 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 report detailing the activity 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 shall result in a loss of points off the subsequent ranking of any and all HTCC project applications by the non-compliant awardee 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 (“CC”) along with Certificate(s) of Occupancy (“CO”), Temporary Certificate(s) of Occupancy (“TCO”) or, if applicable, a letter from the local municipal building official indicating that all work performed has been approved by the municipality as of the date of project completion; revolving loan fund(s) must demonstrate final completion by submitting a Certificate of Completion and copies of all relevant loan documents that support the use of the HTCC funds in accordance with CHFA Guidelines.

(i) If an awardee 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.

(j) 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 awardee in the HTCC Program for a period of two (2) consecutive funding rounds of the HTCC Program. Awardees that are unable to complete the Housing Program within the required timeframe may submit a written request for an extension to the Authority that explains the extenuating circumstances. The Authority, in its sole discretion, reserves the right to accept or deny any such request. The Authority may deduct points from future applications for awardees that are not able to complete the Housing Program within the required three (3) years.

(k) If an awardee fails to proceed with the Housing Program in accordance with the project schedule or demonstrate that completion occurred within the approved timeframe and in no event later than 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 awardee 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: 9/26/2024**  
**Adopted: 12/1/2024**

## V

### FINANCE

#### A. BOND ISSUANCE & OTHER AUTHORITY OBLIGATIONS

##### A-1. Bonds

Pursuant to Chapter 134 of the Connecticut General Statutes, the Authority is authorized to borrow and raise money through the issuance of bonds, bond anticipation notes and other obligations of the Authority (collectively, the “Bonds”). The Authority's Bonds shall be general obligations, special obligations, or limited obligations of the Authority. The Bonds shall not be general obligations of the State of Connecticut and shall not be issued pursuant to the procedures provided by statute for general obligations of the State. The Authority shall issue and retire Bonds in accordance with the bond resolutions and indentures adopted by the Board of Directors and shall issue Bonds to finance housing programs, as authorized by the adoption of an issuance resolution(s) by the Board of Directors and in accordance with all necessary securities and other applicable law, as determined by the Board of Directors and the Authority.

## **B. ADOPTION OF ANNUAL BUDGET**

### **B-1. Description**

On or before December 1 of each calendar year, the Board of Directors shall adopt an annual budget covering its fiscal operations, which annual budget shall include the proposed budget for the succeeding calendar year and the projections and actual results for the current calendar year by revenues and expenses, along with a breakdown and description for the Authority operating and administrative budget. Concurrently with the adoption of an annual budget, the Authority shall authorize the surplus amount, if any, for transfer to the Investment Trust Subaccount (“ITA”), the Opportunity Fund (“OF”), or other permitted Authority account(s), after satisfying all applicable requirements, including, without limitation, the special capital reserve fund requirements.

The Board of Directors shall review and consider a proposed draft annual budget for the next succeeding calendar on or before November 1 of each year. The Authority’s staff shall be available to address questions, comments and recommendations from the Board of Directors regarding the proposed annual budget.

The annual budget adopted by the Board of Directors shall become the operating annual budget for the subsequent calendar year, beginning January 1.

## **C. THIRD PARTY SERVICES**

### **C-1. External Auditor**

The Authority shall procure the services of a public accounting firm (an “Auditor”) to audit the books and accounts of the Authority, assess risks, test controls and issue an opinion as to the Authority’s financial statements. The Authority shall procure such services through the issuance of a Request for Proposal (“RFP”) at least once every three years and shall otherwise comply with Section 8-249(c)(4) and Section 1-127 of the Connecticut General Statutes. The Finance/Audit Committee shall consider the result of the RFP and make recommendation the Board of Directors with respect to the procurement of the Auditor.

On or before February 1 of each calendar year, the Auditor shall present an audit plan to the Finance/Audit Committee and the Committee shall acknowledge the plan and provide comments, seek clarifications or additions, as needed.

On or before May 1 of each calendar year, the Auditor shall present the result of the completed audit to the Finance/Audit Committee and the Board of Directors.

### **C-2. Financial Advisor**

The Authority shall select a financial advisor to provide financial advice in connection with the issuance or placement of various series of program bonds, debt, certificates or instruments, purchase and sale of securities and derivatives, including but not limited to, mortgage-backed securities and swaps. The Authority shall procure such services through the issuance of an RFP at least once every three years and shall otherwise comply with Section 8-249(c)(4) of the Connecticut General Statutes. Based on the result from the RFP, Authority staff shall recommend one or more financial advisors based on their qualifications and the needs of the Authority to the Finance/Audit Committee and the Board of Directors for approval.

### **C-3. Bond Underwriters**

The Authority shall select bond underwriters to act either as a senior manager or a co-manager in connection with the issuance or placement of various series of program bonds, debt and certificates that are sold by the Authority on a negotiated basis.

The Authority shall procure such services through the issuance of an RFP at least once every three years and shall otherwise comply with Section 8-249(c)(4) of the Connecticut General Statutes. Based on the result from the RFP, Authority staff shall recommend one or more senior managers and co-managers based on their qualifications and the needs of the Authority to the Finance/Audit committee and the Board of Directors for approval.



#### **C-4. Bond Counsel**

The Authority shall select bond counsel to act as lead bond counsel or co-bond counsel and provide legal services, including, without limitation, drafting bond documents and issuing tax opinions.

The Authority shall procure such services through the issuance of an RFP at least once every three years and shall otherwise comply with Section 8-249(c)(4) of the Connecticut General Statutes. Based on the result from the RFP, Authority staff shall recommend one or more lead bond counsel and co-bond counsel based on their qualifications and the needs of the Authority to the Board of Directors for approval.

#### **C-5. Outside Counsel**

The Authority may procure outside counsel to assist and provide legal services in relation to the Authority's business operations. The Authority shall procure such services through the issuance of an RFP at least once every three years and shall otherwise comply with Section 8-249(c)(4) of the Connecticut General Statutes. Based on the RFP, Authority staff shall recommend one or more outside counsel based on their qualifications and the needs of the Authority to the Board of Directors for approval.

#### **C-6. Broker-Dealer**

The Authority may approve one or more broker-dealer firms to serve as a placement agent, an escrow agent, a remarketing agent or an intermediary in connection with a purchase or a sale of financial securities. The Authority shall procure such services: (i) on an as needed basis with assistance from its financial advisor through a review of each firm's experience, qualification and reputation, or (ii) through the issuance of a request for proposal at least once every three (3) years. Based on the result from the review, Authority staff shall recommend a list of broker-dealer firms to the Finance/Audit Committee and the Board of Directors for approval. Firms approved to act as bond underwriters by the Board of Directors will be automatically treated as approved broker-dealer firms.

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

Pursuant to Connecticut General Statutes Section 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 Connecticut 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 Connecticut General Statutes Section 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 Connecticut 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 Connecticut General Statutes Section 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 Connecticut General Statute Section 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**

**Revised: 9/28/2023**

**Adopted: 11/30/2023**