

NOTICE OF CONNECTICUT STATE AGENCIES

CONNECTICUT HOUSING FINANCE AUTHORITY

Notice of Intent to Amend Procedures

In accordance with Section 1-121 of the Connecticut General Statutes, NOTICE IS HEREBY GIVEN that the Connecticut Housing Finance Authority proposes to amend its Procedures:

Statement of Purpose:

To amend the Procedures of the Authority, specifically Section III, “Single Family Housing”, as described below.

Summary of Proposed Procedures Change:

The Single Family Housing Procedures are being amended to among other things, reinsert language regarding the determination of income limits for purposes of compliance with the income tax code, modify language regarding the determination of family size, allow average area purchase prices to be determined by other methods allowed by the IRS, allow down payment assistance loans to be used under the Authority’s General Homeownership Loan Program, and allow programs for teachers and police to be used in connection with the General Homeownership Loan Program.

Copies of the proposed amended Procedures may be obtained by visiting www.chfa.org. All interested persons may submit written data, views and arguments in connection with the above-stated proposed Procedures by email to PublicComment@chfa.org or by mail to the attention of Lisa Hensley, Connecticut Housing Finance Authority, and 999 West Street, Rocky Hill, Connecticut 06067 no later than 30 days after the publication of this notice.

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 attheir 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). Income for purposes of determining compliance with the Authority's income limitations and qualifications for the Authority's Homebuyer Mortgage Programs may nonetheless consist solely of the aggregate income of the mortgagor (or mortgagors).

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~~The family unitsize 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 family who 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~~families or 115 percent in the case of all other ~~households~~families 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~~families or 140 percent or less in the case of all other ~~households~~families 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, unless otherwise provided by the Internal Revenue Service, 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: __/__/24
Adopted: __/__/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 ~~unitsize~~ 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: --/__/24
___/___/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) or General Homeownership Loan Program (Section III.C), 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~~).~~ or General Homeownership Loan Program (Section III, C-6, C-16, C-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.

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

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

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

(e) 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.

(f) 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: __/__/24
Adopted: __/__/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 ~~or~~ the Authority's General Homeownership Loan 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- or the Authority's General Homeownership Loan Program (whichever is applicable based on the source of funds for each such mortgage loan).

(b) The interest rate on the mortgage loan shall generally be lower than the interest rate charged under the Homebuyer Mortgage Program- or the Authority's General Homeownership Loan Program (whichever is applicable based on the source of funds for each such mortgage loan). 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: __/__/24
Adopted: __/__/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 or state 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— . or the Authority’s General Homeownership Loan Program (whichever is applicable based on the source of funds for the mortgage loan)

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— or the Authority’s General Homeownership Loan Program (whichever is applicable based on the source of funds for the mortgage loan).

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— or the Authority’s General Homeownership Loan Program (whichever is applicable based on the source of funds for each such mortgage loan).

(b) The interest rate of the loans shall generally be lower than the interest rate charged under the Homebuyer Mortgage Program— or the Authority’s General Homeownership Loan Program (whichever is applicable based on the source of funds for each such mortgage loan). 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: ___/___/24

Adopted: ___/___/24