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Downpayment Assistance Program

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Downpayment Assistance Program

Secs. 8-289-1—8-289-6a.

Repealed, May 18, 1990.

Sec. 8-289-7. Repeal of regulations

Subsection (t) of section 8-203-4 of the Regulations of Connecticut State Agencies is repealed.

(Effective June 23, 1983)

Sec. 8-289-8. Definitions

The following definitions apply to Section 8-289-8 through Section 8-289-12 of the Regulations of Connecticut State Agencies:

- (1) "Assets" means cash, cash equivalents and real property.
- (2) "Commissioner" means the Commissioner of Housing.
- (3) "Condominium" means a common interest community in which portions of the real property are designated for separate ownership and the remainder is designated for common ownership solely by the owners of those portions, and whose condominium instruments are recorded and lawfully submitted pursuant to the provisions of Chapter 825 or 828 of the Connecticut General Statutes.
- (4) "CHFA" means the Connecticut Housing Finance Authority.
- (5) "Department" means the Connecticut Department of Housing.
- (6) "Dwelling" means the homebuyer's permanent, principal residence.
- (7) "Cash equivalents" means instruments or investments of such high liquidity and safety that they are virtually as good as cash, including, but not limited to:
 - (A) Checking and savings accounts;
 - (B) Trustee and/or custodial accounts;
 - (C) Money market funds;
 - (D) Treasury bills;
 - (E) Interest from savings and corporate stocks and bonds reported on the homebuyer's latest internal revenue service form 1040; and
 - (F) Funds in any retirement plan where the funds may be borrowed from provided the debt service payment can be absorbed in the underwriting ratios employed by the first mortgage lender.
- (8) "Homebuyer" means a family or person whose income is at or below one hundred percent (100%) of the area median income as determined from time to time by the United States Department of Housing and Urban Development or is within the income limits established by the Connecticut Housing Finance Authority, whichever is greater, and who lacks sufficient financial resources to make a down payment or regular mortgage payment on private housing.
- (9) "Equity" means cash or any other liquid assets which the Commissioner determines to be readily convertible to cash, which may include but is not limited to vacation homes, mobile homes, real property, employer/employee savings, 401(K) Plans, or IRA accounts where the applicant can no longer participate.
- (10) "HUD" means the [Federal] United States Department of Housing and Urban Development.
- (11) "Individual Retirement Account" (IRA) means a retirement savings account in which any individual employee may contribute up to two thousand dollars (\$2,000) annually.
- (12) "Liquid Assets" means cash, or assets readily convertible to cash, such as:

(A) Any cash in checking and savings accounts under the social security number of the homebuyer(s);

(B) Cash in trustee and/or custodial accounts listed under the social security number of the homebuyer(s);

(C) Interest from savings and corporate stocks and bonds reported on the homebuyer's latest internal revenue service form 1040; and

(D) Funds in any retirement plan where withdrawal is permitted for home purchase. If permitted by the plan, the funds may be borrowed from the plan in lieu of actual withdrawal if the debt service payment can be absorbed in the underwriting ratios employed by the first mortgage lender.

(13) "Salary reduction plan" or "401 (K) plan" means an employer sponsored retirement savings program named for the section of the internal revenue code that permits it. These plans allow employees to invest pre-tax dollars that are often matched in some portion by employers.

(14) "Second Mortgage" means the second lien placed upon real estate which is already pledged as security for a first mortgage loan.

(Effective February 28, 1994)

Sec. 8-289-9. Program description

(a) This program provides financial assistance in the form of second mortgage loans to homebuyers who lack sufficient financial resources to make downpayments on private housing. It is also intended to serve as a mechanism for rehabilitating housing and preventing displacement due to condominium conversions. The Commissioner may enter into a contract with a homebuyer to provide a loan to assist in the purchase of a dwelling or in the purchase and rehabilitation of a dwelling containing not more than four residential units, provided such homebuyer shall reside in at least one of the units.

(b) The loan shall not exceed twenty-five percent (25%) of the cost of acquiring such dwelling inclusive of any homebuyer equity or twenty-five percent (25%) of the value of such dwelling after rehabilitation, if greater, inclusive of any homebuyer equity.

(c) Condominium units are eligible provided that at least fifty percent (50%) of the units in the development are owner occupied. The commissioner may exempt those developments purchased, constructed, and/or financed with government funding.

(d) Where a condominium conversion is taking place, there shall be no limit on the loan for a downpayment that may be made to a tenant who is able to obtain a mortgage for the purchase of his or her condominium unit. The tenant shall have been renting the unit for at least six months prior to receiving the statutory notice of intent to convert to a condominium, and shall not have had a contract to purchase at that time.

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

(f) The commissioner may, in exchange for providing any downpayment assistance loan, share in the appreciation of any dwelling, or any interest therein, upon its sale. Such share in appreciation shall be determined according to the percentage of the downpayment assistance loan and shall be based on the current sale price less the original price paid by the homebuyer. However, the department's share in appreciation shall not exceed twenty-five percent (25%) of the total appreciation, except in the case of a condominium conversion.

(g) If a governmentally sponsored program, or some other program, approved by the commissioner, includes a provision that limits the homebuyer's appreciation then subsection (f) of this section shall not apply.

(Effective February 28, 1994)

Sec. 8-289-10. Eligibility of applicants and houses to be acquired

(a) Eligibility for this program shall be determined according to the income limits in subsection (f) of section 8-289-9 of this regulation. The Commissioner may, from time to time, establish sales price limits for the dwellings.

(b) The homebuyer shall have adequate funds to pay all closing costs. However, homebuyers whose incomes are at eighty percent (80%) or less of the area median income, as determined from time to time by the U.S. Department of Housing and Urban Development, and who do not possess monies for closing costs may be exempted from this requirement. The department may also exempt those homebuyers required by the first mortgage lender to pay a cash down payment of three percent (3%) or more.

(c) Assets possessed by the homebuyer shall be used for the downpayment and/or closing costs excepting three thousand dollars (\$3,000). Such three thousand dollars (\$3,000) may include one thousand dollars (\$1,000) of equity in real property which may be retained by the homebuyer. The Commissioner may authorize exceptions.

(d) The commissioner may permit a homebuyer to retain ownership of real property if the appraised value, as approved by the commissioner, exceeds the secured debt and the cost of sale by one thousand dollars (\$1,000) or less.

(e) The homebuyer shall obtain a commitment for a first mortgage, the source of which is subject to the Commissioner's approval.

(f) The prospective dwelling shall meet the Department's standards to ensure that there are no structural, safety or health hazards including but not limited to requirements for water tests and infestation reports.

(Effective February 28, 1994)

Sec. 8-289-11. Underwriting criteria

(a) **Income Ratios**—The Department shall apply the income ratios employed by the first mortgage lender.

(b) **Evaluation**—The Department shall evaluate the credit worthiness of each homebuyer based on documentation of the following:

(1) Gross family income which shall include income from whatever source derived, including both earned and unearned income;

(2) Debts and current credit status; and

(3) Employment history and stability of employment.

(c) Notwithstanding subsection 8-289-11 (b), the Commissioner may accept the underwriting criteria applied by the first mortgage lender.

(Effective February 28, 1994)

Sec. 8-289-12. Priorities

Applications for a loan under this program shall be considered in order from (a) to (c) as follows:

(a) Applications for loans to purchase dwellings impacted by condominium conversion;

(b) Applications for loans to purchase dwellings where the first mortgage is provided by the Connecticut Housing Finance Authority and insured by the Federal Housing Administration; and

(c) All other applications meeting the requirements of these regulations.

(Effective May 18, 1990)