

Connecticut Housing Finance Authority



your key to homeownership



CHFA Homebuyer Mortgage Programs



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CHFA HOMEBUYER MORTGAGE PROGRAMS

This brochure contains an overview of the CHFA Homebuyer Mortgage Programs, the Downpayment Assistance Program (DAP), and the Rehabilitation Mortgage Loan Program.



- Homebuyer Mortgages are for first-time homebuyers purchasing a home anywhere in Connecticut or prior homeowners purchasing in a targeted area of the State.
- Downpayment Assistance Loans are available as a second mortgage to cover the cost of a downpayment and/or closing costs associated with a home purchase.
- Rehabilitation Mortgage Loan Program provides mortgage assistance for the purchase and rehabilitation of an older home.

More complete information can be found in this brochure or by visiting our website at: www.chfa.org

You will find current interest rates, a list of participating lenders, counseling class schedules and much more. Just log on to our website at www.chfa.org.

**For specific inquiries, please contact
CHFA's Single Family Underwriting Division at
(860) 571-3502.**



HOMEBUYER MORTGAGE PROGRAM GUIDELINES

Eligibility Requirements

(Eligibility requirements are for all CHFA Homebuyer Programs. Some exceptions may apply.)*

- Income and sales price limits apply to CHFA mortgages. (See insert in back pocket.)
- CHFA requires that you be a first-time homebuyer or have not had an ownership interest in a principal residence for the past three years.
- If you are a prior homeowner, you may still be eligible to utilize the program if purchasing a home in a targeted area of the State. Targeted areas are listed separately on the back pocket of this brochure.

Property Requirements

Eligible properties include:

- You must reside in the home you purchase.
- Existing and new single family homes, townhouses, and Planned Unit Developments (PUDs).
- Condominiums on CHFA's approved list.
- Two- to four-family homes that have been used as residences for the past five years and newly constructed two-family homes in targeted areas.
- Mobile homes that meet FHA guidelines.
- The property *may not be* a recreational (vacation) home or an investment (rental) property.
- No part of the property may be designed for commercial purposes.
- The property acquisition price must not exceed the applicable CHFA sales price limit per the limits listed on the insert in the back of this brochure.
- Newly constructed homes must meet FHA's energy efficiency standards.

Loan Terms (First Mortgage)

- CHFA provides a 30-year, fixed rate mortgage. Interest rates are subject to change weekly. For current rate information, call CHFA's 24-hour rate line at (860) 571-3571 or visit our website at www.chfa.org.
- An origination fee equal to one percent of the loan amount (one point) is charged.
- You are qualified for a mortgage loan based on credit, income, employment history, and other underwriting criteria.

** Please note: There are some exceptions to the above guidelines. See the program description summary under the type of mortgage you are interested in for eligibility requirements.*

Mortgage Insurance Requirements

The loan must have mortgage insurance unless a sufficient downpayment is made on the home you are purchasing.

- If you have 20% or more as a downpayment, mortgage insurance is not required.
- If you have a 15% downpayment, or when the loan amount exceeds the FHA loan or FNMA maximum loan amount, the loan may be insured by a private mortgage insurer (PMI).
- In all other cases, the insurer or guarantor of a CHFA loan must be the Federal Housing Administration (FHA), the Veterans Administration (VA) if you are a veteran, or USDA Rural Development (RD).

Downpayment Requirements

- Generally, a downpayment of at least 3% of the total purchase price is required, depending on the mortgage insurer. (Loans eligible for guarantees from the VA or RD may not require any downpayment.)
- Downpayment example:

\$100,000	purchase price
-3,000	3% downpayment
\$97,000	loan amount
- If you lack the necessary funds for a downpayment, you may qualify for a downpayment assistance loan. Downpayment assistance is available statewide to eligible borrowers. Downpayment assistance may also be available in selected areas through the USDA Rural Development (RD). See page 5 for more information on the Downpayment Assistance Program.

Federal Recapture Tax

- Under certain circumstances, CHFA mortgage loans may be subject to Federal Recapture Tax. The payment of federal recapture tax occurs at the time the property is sold, only if all three of the following conditions apply:
 1. Your home is sold or disposed of within nine (9) years of being purchased, for reasons other than your death;
 2. There is a capital gain on the sale of the home; and
 3. Your household income exceeds Federal Recapture Tax limits at the time of the sale.
- Your Participating Lender will provide you with a statement regarding the recapture tax, and you must review and sign a disclosure at application. Please read this information carefully, and ask your Participating Lender for any clarification necessary.

Note: Recapture Tax should not be a deterrent from getting a CHFA mortgage. There is minimal impact on CHFA borrowers being subject to having to pay Recapture Tax. The Federal Recapture Tax Income Limits are based on the year you purchased your home. In most cases, the average CHFA borrower's income does not exceed the threshold limits for Federal Recapture Tax, which would exempt the borrower from having to pay the tax upon sale of the home before 9 years. The Recapture Tax income limits can be found on CHFA's website at:

http://www.chfa.org/FirstHome/firsthome_FederalRecaptureTaxIncomeLimits.pdf

CHFA recommends that you consult a tax preparer for further clarification.

How to Apply for a Mortgage

- CHFA mortgages are offered through Participating Lenders (banks and mortgage companies) statewide. You need to contact a Participating Lender in order to apply. See the Participating Lenders listed in the brochure insert.
- If you have additional questions or would like further information, please contact a Participating Lender or call CHFA at (860) 571-3502. For current rate information, call CHFA's 24-hour rate line at (860) 571-3571 or visit our website at www.chfa.org.

Processing Time

- Generally, the process from loan application to loan closing is about six weeks. A lender will review the loan application within four weeks from the date of application. CHFA issues a commitment to purchase the loan from the Participating Lender, usually within 24 to 48 hours from receipt of the application packet. The closing can be scheduled upon receipt of commitment.

Sales Price and Income Limits

- To ensure the CHFA's programs help low- and moderate-income homebuyers, there are restrictions on the sales price and income limits.
- CHFA's statewide income limits* are located in the back of this brochure.
- Income limits vary depending on what Homebuyer Program you go with, and where you are purchasing your home.
- The combined annual income of all persons who will occupy the home will be counted as household income. This includes overtime pay, part-time employment, bonuses, income from self-employment, etc.
- CHFA sales price limits are in effect for all CHFA Homebuyer Mortgage Programs.
- Sales price limits are listed by county and alphabetically by town and vary depending on where you are purchasing your home. Check the Income and Sales Price limits insert to determine whether the home you are purchasing fits within the maximum allowable sale price limits for that town.

** Please note: The Homebuyer Mortgage Programs allow for exceptions to these limits, depending on where you are purchasing your home. If you purchase in a targeted area of the State, your income may be over the listed income limits. Check Income and Sales Price limits listed in the insert in the back pocket.*

Downpayment Assistance Program (DAP) (Second Mortgage)

If you lack the necessary funds for a downpayment, you may qualify for a Downpayment Assistance Program (DAP) loan. Downpayment assistance is available statewide to eligible borrowers. Downpayment assistance may also be available in selected areas through the USDA Rural Development (RD).

- The DAP loan, which is offered at a below-market interest rate, is secured by a second mortgage on your home.
- Closing cost assistance is also available.
- Your annual income must be sufficient to support both the CHFA first mortgage and the DAP loan payments.
- If the home you wish to buy meets CHFA's first mortgage program requirements, it will also meet the property requirements for a DAP loan.
- The minimum DAP loan amount is \$3,000.
- There is a \$200 application fee for a DAP loan.
- If you obtain a DAP loan, you will be required to attend a 3-hour homebuyer education class prior to closing your loan.
 - Homebuyer Counseling Agencies hold classes at several locations in the State each month. Your lender will give you information on homebuyer education including Homebuyer Counseling Agency class schedules with locations.
 - A listing of Counseling Agencies, as well as class schedules, can also be found on CHFA's website at:
http://www.chfa.org/FirstHome/counseling_classes.asp
 - There is no fee for attending the class.

REHABILITATION MORTGAGE LOAN PROGRAM

- If you are buying a home that needs some improvement, a CHFA Rehabilitation Mortgage Loan will provide financing to purchase the home, along with the funds to make property repairs.
- When used to refinance a home, the Rehabilitation Mortgage Loan amount includes the funds to pay off the existing first mortgage as well as the cost of repairs. The rehabilitation costs must be at least 25% of the as-completed value of the property.
- After the loan closing, the funds for the home repairs will be held by the lender in a separate escrow account. Payment is made directly to the general contractor as repair work is completed. All work must be done by a state-registered general contractor when rehabilitation costs exceed \$15,000 or when renovations of any dollar amount include major structural repairs or alterations.

Eligible Borrowers

Household income limits apply to all purchasers with one exception: In targeted areas, over-income households may still apply for CHFA financing without regard to the income limits.

Eligible Properties

- The following types of homes* are eligible for Rehabilitation Mortgage Loan financing:
 - existing one- to four-family homes
 - deteriorated homes where 75% of exterior walls exist
 - existing multi-unit dwellings to be converted into one- to four-family homes
- The total acquisition cost including the cost of rehabilitation of the home must be below the CHFA sales price limits for the applicable town.

** Please note:
Condominiums and
mobile homes are
not eligible.*



Eligible Improvement and Repairs

Costs for improvements and repairs must be a minimum of \$5,000.

The following lists examples of eligible rehabilitation work:

- structural alterations and repair of damage to the home, including chimneys, walls, roofs, and ceilings
- repair of termite or water damage
- changing or adding to the number of units -- for example, converting a single family home to a duplex, or a six-unit building to a three-family home
- items that improve energy efficiency such as plumbing, heating, and electrical systems
- installation or replacement of wells, septic tanks, windows, and hot water systems
- repairs that substantially improve the basic livability of the home such as flooring, roofing, handrails, downspouts, and exterior siding
- alterations for handicapped accessibility

Additional Considerations

The loan is subject to Federal Recapture Tax if the borrower sells the home within nine years, there is a capital gain on the sale of the home and the borrower's household income at the time of the sale exceeds applicable limits. (Federal Recapture Tax occurs at the time property is sold, only if all three conditions apply.)

- All other considerations under the CHFA Homebuyer Mortgage Program apply to Rehabilitation Mortgage Loans.
- Not all lenders originate CHFA Rehabilitation Mortgage Loans. Contact CHFA's Single Family Underwriting Division at (860) 571-3502 for a listing of Lenders that originate these loans.



NOTES



Targeted Census Tracts

Sales price and income limits are listed by County/town in alphabetical order on the insert in the back pocket. Targeted areas are denoted with an (*). If the property you are purchasing is located in a targeted area, please note that in these areas, only your income can be higher than what is listed.

Targeted Area	Eligible Census Tracts
Ansonia	1252-1254
Bridgeport	ALL
Danbury	2101, 2102, 2107
Enfield	4801, 4806
Groton	7022.02, 7023, 7025
Hartford	ALL
Meriden	1701-1703, 1709, 1710, 1715
Middletown	5411, 5415-5418
New Britain	4153, 4156, 4159-4163, 4166, 4171-4173
New Haven	ALL
New London	ALL
Norwalk	0434, 0437, 0438, 0440-0442, 0444, 0445
Norwich	6964, 6967, 6968
Rocky Hill	4902
Stamford	0201, 0214-0217, 0221-0223
Torrington	3101-3103, 3108
Waterbury	ALL
Windham	8006



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