

City of Milford, Connecticut

Founded 1639

“A Small City With A Big Heart”

Community Development Department

70 West River Street

Milford, CT 06460

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Community Development Block Grant Program

First Time Homebuyer’s Program

First Mortgage Lending Guidelines

February, 2005

Down Payment and Closing Costs Assistance

Available assistance includes a maximum loan of up to \$15,000.00 including down payment assistance and closing cost assistance. The actual amount of loan will be based on income and assets and the amount of assistance needed to qualify for a first mortgage. Loan packages should be structured to eliminate the need for mortgage insurance (PMI or FHA), if possible, within funding parameters. Funding assistance for the FTHP shall be in the form of a deferred payment, zero interest, second mortgage loan. Funds will be made available on a first come, first serve basis and set asides will be made upon receipt of a completed application and a fully executed Purchase Agreement.

Lending and Underwriting Criteria

Loans should be written following underwriting criteria typical for loans to first time, owner-occupied purchasers. Debt-to-income ratios generally should not exceed 33% for housing costs (PITI) and 42% for housing and personal debt combined. The combined loan-to-value ratio should not exceed 105%. Minimum cash contribution by the borrower should be 2% of the purchase price or \$2,500 whichever is more. Property taxes, hazard insurance, flood insurance, and mortgage insurance (if applicable) shall be prorated and collected in escrow on a monthly basis and shall be held by the loan servicer for payment.

Applicants are encouraged to apply in advance to have eligibility determined and to become familiar with program guidelines. In addition to the FTHP application and required income documentation, formal requests for financial assistance should include the following:

- Fully executed Purchase Contract. (funds are reserved at this point).
- Copy of Multiple Listing Service (MLS) listing (if available)

- Copy of Form 1003, 1st Mortgage application (from your lender).
- Good Faith Estimate of closing costs (from your lender).
- Lender underwriting worksheet (showing ratios and City loan amount).
- The property appraisal.
- The property inspection report(s).
- Mortgage Commitment Letter.
- Lead-Based Paint Visual Assessment Report (performed by the Community Development Staff or representative).
- Pre-purchase Counseling Certificate

Participating lending institutions shall be required to work with the City of Milford Community Development Office to carry out the program. The participating institutions shall be required to provide financing without any additional fees or charges to the City of Milford or the applicant. Mortgage lenders should not charge in excess of 2 points for any combination of origination fees, discount fees, broker’s fees, funding fees, processing fees, underwriting fees, document preparation fees, or similar costs to the borrower. This rule would exclude FHA up front premiums. Lenders and loan products are therefore subject to the approval of the City of Milford.

Income Requirements.

There are income and asset limits for participating in this program that are based on the size of the household. Income eligibility will be based on the Adjusted Gross Income as reported on the most recently required federal income tax return. The current amounts are as follows (Revised 1/28/04):

<u>Household Size</u>	<u>Annual Gross Income</u>
1	\$40,600
2	\$46,400
3	\$52,200
4	\$58,000
5	\$62,650
6	\$67,300
7	\$71,900
8	\$76,5500

Liquid assets after closing shall not exceed 3% of the total purchase price of the home. Liquid assets are defined as funds in a savings or checking account, stocks and bonds or other marketable securities. Income eligibility must be maintained through date of closing. Cash gifts, proceeds from insurance policies, and money withdrawn from retirement savings accounts such as IRAs and Pensions are included as income for eligibility purposes. No “cash out” at closing without City of Milford approval.

Pre-Purchasing Counseling

After application and as a condition of approval, all those interested in participating in the

FTHP must receive a minimum of 1.5 hours of counseling conducted by Community Development Staff or another approved agency. Workshops will be scheduled periodically to provide this counseling.

Applicants are encouraged to participate in programs offered locally by non-profit agencies specializing in Housing and Credit Counseling. Information on financial planning, managing savings and credit, selecting the right home, working with realtors and the MLS, choosing a mortgage lender, closing costs and the closing process are among the topics covered through these programs. These programs can greatly enhance your knowledge of the home purchase process and expand your options for mortgage financing. Many first mortgage lenders offer special financing to applicants who have completed this training. A Certificate of Completion will be required to receive financial assistance.

The following non-profit organizations provide pre-purchase Housing Counseling:

Neighborhood Housing Services of New Haven, Inc.

Contact: Tom Citerella

333 Sherman Avenue

New Haven, CT 06511

(203) 562-0598, ext. 23

Southwestern Connecticut Mutual Housing Association, Inc.

Contact: Carol Sydnor

800 Summer St. Suite 330

Stamford, CT 06905 (satellite office in Bridgeport)

(203) 336-8792 (Bridgeport)

Consumer Credit Counseling of Connecticut, Inc.

185 Plains Road, Suite W-201

Milford, CT 06460

(800) 208-2227

Bridgeport Neighborhood Trust, Inc.

Contact: Emilia Diaz

177 State Street, 5th Floor

Bridgeport, CT 06604-4806

(203) 332-7977

A list of HUD approved Housing Counseling agencies in Connecticut can be found on the internet at: www.hudhdc.org/agencies/connecticut.txt

Lead Based Paint Procedures

Properties constructed prior to 1978 may have been painted with paint containing lead. The U.S. Department of Housing and Urban Development has adopted lead paint safety regulations and procedures that apply when federal funds are being used to acquire property. A Lead-Based Paint Visual Assessment, performed by a certified inspector will be required for all properties constructed prior to 1978. If deteriorated paint surfaces are identified, lead paint

testing will be required and if lead is found, abatement (removal) and clearance (retesting for complete removal) will be required. This must be completed prior to closing on the purchase of the home. Abatement can be expensive and could compromise a purchase option.

To avoid this potentially serious complication, purchasers should inspect properties thoroughly for signs of deteriorated paint inside and out. Paint that is peeling, chipping, chalking or walls with deep cracks would be considered deteriorated. If a home has deteriorated paint, it is suggested that language be included in the Purchase Agreement that the deteriorated surfaces will be repainted “*prior to the Lead-Based Paint Visual Inspection.*” Normally these repairs are inexpensive and easy to perform. Abatement and clearance is not required if performed prior to the Visual Assessment.

The Visual Assessment will be conducted by Community Development staff or designated agent at no charge to the purchaser or the property owner. Copies of the Visual Assessment Findings and Clearance Report documents, as necessary, shall be filed in each project file. Homebuyers shall also have complete copies of these documents for their records.