

City of Milford, Connecticut

Founded 1639

James L. Richetelli, Jr. Mayor
First Time Homebuyer Program

Funded under the
Housing and Community Development Act of 1974
HUD – CDBG



Administered by
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City of Milford
Community Development Block Grant
First Time Homebuyer Program
Policies and Procedures

January 2005

Program Description

The First Time Homebuyer's Program (FTHP) is designed to provide flexible financial assistance to qualified First Time Homebuyers as defined by the U.S. Department of Housing and Urban Development (HUD). Financial Assistance in the form of a zero interest, deferred payment second mortgage will be provided to income eligible persons and families acquiring eligible property within the City of Milford.

Permitted Use of Funds

Funds are available for down payments and eligible costs as described below. Funding assistance for the FTHP shall be in the form of a deferred second mortgage loan. The maximum loan amount is \$15,000.00 that can be used for the down payment and/or anticipated closing costs. The actual loan amount will be based on income, assets and the amount of the first mortgage loan.

General Program Guidelines

A. Eligible Properties

The subject property shall be located within the City of Milford. Only owner-occupied single family, two family and condominiums are eligible for this program.

B. First Mortgage Approval

The applicant shall be responsible for securing a first mortgage from a private lending institution (see below). 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 (Principal, Interest, Taxes and Insurance) and 42% for housing and personal debt combined.

In addition to the FTHP application and income documentation, formal requests for financial assistance should include the following documents:

1. Fully executed Purchase Contract. (funds will be reserved at this time).
2. Copy of Form 1003, 1st Mortgage application (from your lender).
3. Good Faith Estimate of closing costs (from your lender).
4. Lender underwriting worksheet (showing ratios and City loan amount).

5. The property appraisal (from your lender).
6. The property inspection report(s), if applicable.
7. First Mortgage Commitment Letter.
8. Lead-Based Paint Visual Assessment Report (performed by the Community Development Staff or representative).
9. Pre-purchase Counseling Certificate

The applicant must maintain sufficient hazard insurance to insure the property for the total replacement value. 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.

C. Loan Default & Owner Occupancy

The property must be owner-occupied for the term of the applicant's participation in the program. The FTHP loan shall become due and payable upon:

1. The sale or transfer of the property, (except to a surviving spouse) or,
2. When the property ceases to be owner occupied or,
3. At the end of the term of the first mortgage or any extensions thereof, or
4. Upon the default of the first mortgage.

D. Waiting List Applicants

The Community Development Office shall maintain a waiting list of qualified applicants. The waiting list shall be closed upon receipt of a sufficient number of applications as determined by the Community Development Office to effectuate the purpose of this program. Funds provided under this program will be made available to qualified waiting listed applicants on a first come first serve basis. Waiting listed applicants must remain qualified for this program at all times while on the waiting list. Placement on the wait list does not guarantee fund availability.

Applications shall be considered on a first come, first served basis after the announced commencement date of the program. Funds will be reserved upon receipt of a completed application, sufficient income documentation and a fully executed Purchase Contract. Funds will be reserved for 60 days. Extension requests will be considered on a case by case basis. The applicant shall cooperate in all respects and shall provide information and execute all required documents deemed necessary by the City of Milford to evaluate the applicant's qualifications for the program.

E. Applications

The Community Development Office shall make available forms which applicants will be required to complete in full prior to being considered or qualified for the program. Incomplete applications will not be considered.

F. CDBG Housing Rehabilitation Program

Participants in the FTHP will not be eligible to participate in the City of Milford Rehabilitation Loan Program until the Homeownership Loan has been paid in full.

G. Participating Lenders

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 two (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 subject to the approval of the City of Milford. Mortgages funded by the Connecticut Housing Finance Authority can be used with this program. Call CHFA at (860) 571-3502 for information, visit their website at www.CHFA.org or ask your participating lender for details.

The following lenders have agreed to participate in the FTHP:

Banks

The Milford Bank
Contact: Helen Ingrassia
Phone: (203) 783-5711

People's Bank
Contact: Tina Rafael
Pager: (203) 370-4170

JP Morgan Chase
Contact: Carmen Walden
Phone: (203) 675-8682

People's Bank
Contact: Brian O'Neil
Pager: (203) 370-4169

Wachovia Bank
Contact: Andrew Arnold
Phone: (203) 882-1824

Bank of America
Contact: Danita Johnson
Phone: (203) 579-3166

Citizen's Bank
Contact: Sue Matthews
Phone: (203) 729-2477

New Haven Savings Bank
Contact: Ted Kiritsis
Phone: 882-3493

Mortgage Companies

Countrywide Home Loans
Contact: Bevon McLean
Phone: 876-7800, ext. 603

Washington Mutual
Contact: Robert Ciociola
Phone: 287-0200 ext. 224

GMAC Mortgage Corp.
Contact: Jack Murphy
Phone: 877-9595, ext. 117

Total Mortgage Services
Contact: Ed Defeo
Phone: 876-2200

H. Taxes/Liens

There must be no outstanding taxes, use fees, or special assessments owed to the City of Milford upon transfer of title.

I. Loan Closing

Title insurance should be sufficient to cover both the first and second mortgage. The closing attorney will be required to supply the City of Milford with the following documents at closing:

1. Executed original second mortgage loan note.
2. Copy of executed second Mortgage Deed.
3. Title insurance policy showing the City of Milford as second mortgagee.
4. Copies of the executed first mortgage note and deed.
5. Copy of the HUD-1 Settlement Statement
6. Evidence of Homeowner's insurance showing the City of Milford as the second mortgage holder.

J. 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 limitations are as follows (Revised 2/24/05):

| <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 | \$66,700 |

| | |
|---|----------|
| 7 | \$71,300 |
| 8 | \$75,900 |

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 excluded as income for eligibility purposes. Minimum cash contribution by the borrower should be 2% of the purchase price or \$2,500 whichever is more. No “cash out” at closing without City of Milford approval.

K. 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 through the FTHP.

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.hudhhc.org/agencies/connecticut.txt

L. Lead Based Paint Procedures

All program participants will be provided with the informational pamphlet – “Protect Your Family from Lead in Your Home. Documentation needs to be included in the applicant’s file that the program participant has received the pamphlet.

Properties constructed prior to 1978 may have been painted with paint containing lead. To protect you and your family, the U.S. Department of Housing and Urban Development has adopted regulations and procedures 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, lead 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 put a purchase option in jeopardy.

To avoid this potentially serious complication, inspect properties thoroughly for signs of deteriorated paint both inside and out. Paint that is peeling, chipping, chalking or walls that are cracked would be considered deteriorated and potentially hazardous. If you want to purchase a home that has deteriorated paint, include language in your Purchase Agreement requiring that surfaces be repainted “**prior to the Lead-Based Paint Visual Inspection.**” Normally these repairs are inexpensive and easy to perform. Work performed prior to the Visual Assessment will not require lead abatement and clearance testing.

The Visual Assessment will be performed by Community Development Office staff or agents at no charge to the purchaser or the property owner. Copies of the Visual Assessment Findings and Clearance Report documents, as necessary, shall

be kept on file. Homebuyers will also be provided with copies of these documents. VISUAL ASSESSMENT, STABILIZATION AND CLEARANCE MUST OCCUR BEFORE CLOSING/SETTLEMENT.

M. Subordination of Loan

The purpose of this policy is to allow homeowners to avail themselves of lower interest rate financing than was available at the time of the purchase without creating a situation whereby the City is unable to recover its original investment within a reasonable period of time. Since a fundamental goal of the program is to re-circulate the pool of money available to assist new applicants to the program, recovery of the initial capital outlay is of paramount importance.

Homeowners may request a single subordination per property. The City will consider subordinating its interest for the purpose of allowing the homeowner to refinance his or her first mortgage under the following conditions:

1. The homeowner's proposed refinance will reduce their monthly mortgage payments and/or reduce the term (number of years) of the first mortgage; and
2. The homeowner shall pay to the City a sum equal to the total sum of the City's loan pro rated by the number of years remaining on the first mortgage. For example, if the homeowner has resided in the house for 2 years, has a first mortgage with a 30 year term and has borrowed \$15,000 from the City, the homeowner shall remain liable for the balance of the loan in accordance with its terms. In other words, in the example above the homeowner would have a balance remaining of \$14,000 to the city upon the occurrence of any repayment event identified in the City's original mortgage note.

The City reserves the right to refuse to subordinate its interest in all cases where, in its sole discretion, it does not view subordination as furthering the goals of the program or where the homeowner is financially capable of repaying the City as part of a refinance.

N. Equal Opportunity Statement

The FTHP is funded by a HUD Community Development Block Grant and is governed by federal laws regarding fair housing, fair credit and equal opportunity in lending. The federal equal credit opportunity act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex marital status, age (provided that the applicant has the capacity to enter into a binding contract); because all or part of the applicant's income derives from any public assistance program; or because the applicant has in good faith exercised any right under the consumer credit protection act. The federal agency that administers compliance with this law concerning this agency is the Department of Housing and Urban Development, Connecticut State Office,

One Corporate Center, 19th Floor, Hartford, CT, 06103-3220. The City of Milford Homebuyer Assistance Program is an equal opportunity lender.

O. Public Information Activities

The following activities may be used to inform eligible citizens about the FTHP. These activities may include:

- News Releases and Advertisements

News releases may be issued periodically to inform the public of program availability. Advertisements designed to draw public attention to the program may be published periodically.

- Community Outreach

The City of Milford Community Development Office staff will provide information about the program to various citizen and church groups, social service organizations, welfare agencies and lending institutions. Outreach will also be coordinated with public service oriented agencies.

- Participating Lenders and Agencies

Referrals from participating lender and Housing Counseling agencies will be encouraged.

P. Disputes/Complaints

The process outlined below establishes the method of addressing complaints during the FTHP process. Complaints concerning matters related to this program shall be filed with the City of Milford Community Development Office staff. All complaints shall be in writing. Staff shall attempt to respond to complaints within five (5) business days of receipt of the complaint. If the complainant is dissatisfied with the response of the Community Development Office Staff, they may appeal to the Director of Community Development within ten (10) business days from issuance of the response. The complainant shall be responsible for providing all relevant information. Upon review of the Community Development office records and information submitted by the complainant, the Director of Community Development shall issue a written decision within ten (10) business days after receipt of the appeal.