

City of Milford
Department of Economic & Community Development
70 West River Street, Milford, CT 06460
Office (203) 783-3230 Direct Line (203)701-4479
Sheila Dravis, CDBG Administrator
sdravis@milfordct.gov
Updated May 2023

Homeownership Assistance

Program Policy & Procedure

Introduction

The Department of Economic and Community Development funds the Direct Homeownership Assistance program with Community Development Block Grant (CDBG) funds, a federal entitlement grant, it receives from the U.S. Department of Housing and Urban Development (HUD) under the provisions of Title I of the Housing and Community Development Act of 1974, and 1983 and 1987 amendments thereto.

The program is designed to assist new buyers and previous owners reduce the overall upfront costs to purchase a residential property.

Program Policy

CDBG funds are available on a first come first serve basis. Approval of federal financial assistance is determined in accordance with HUD regulations and the policy and procedures contained herein and are applicable to all persons, 18 years of age or older, who reside in the household. An applicant is required to re-certify household income eligibility after 12 months if assistance cannot be provided in that time period. The program manager reserves the right to revoke program assistance should information come to light that the applicant is not eligible or not fund an activity if it exceeds the maximum allowed by budget. Milford reserves the right to close the program or create a waiting list until a new program year funds can be allocated.

Eligible Home Purchase Costs

An applicant must contribute a minimum of \$2,000 toward the total down payment. Up to \$30,000 in CDBG funds are available toward the required first mortgage down payment; origination fees at closing; to write-down principal and private mortgage insurance. Additional funds are available to a buyer to acquire a multi-family home if the second unit is rented under HUD Fair Market Rent (FMR) and Area Median Income limits for Milford or the State of CT 8-30g Affordable Housing regulations.

Nondiscrimination

The Federal Fair Housing Act protects against discrimination in purchasing, renting, or securing housing financing, and prohibits discrimination based on race, color, national origin, religion, sex, disability and households with children. Section 109 of the Housing and Community Development Act of 1974 requires that no one shall, on the grounds of race, color, national origin, sex, age or a disability, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity funded with CDBG funds. Any person or property in

question, actively or inactively opposing the law will not receive federal funds until the matter is resolved.

The Connecticut Fair Housing Act prohibits against all the above including marital status, sexual orientation, gender identity, legal source of income, refusing to accept Section 8, for example, and Veteran status. Connecticut law designates persons with disabilities and 62 years and older a protective class to provide legal protection from eviction.

In addition, any property owner as a condition to obtaining a program funds, must comply with all applicable requirements imposed by or pursuant to regulations effectuating Title VI of the Civil Rights Act of 1964 and title VIII of the Civil Rights Act of 1968 regarding the sale, lease, use or occupancy of his/her property.

Dislocation or Relocation

The federal relocation funds are eligible should a CDBG housing activity permanently displace an owner or tenant(s) from a property. 42 USC Chapter 61 Uniform Relocation Assistance and Real Property Acquisition Policies for Federal and Federally Assisted Programs. (Title 42 – The Public Health and Welfare)

Program Amendments

The city reserves the right to amend this program at any time, without notice, to further the goals of the program or to protect and/or preserve the city's interests and improve the program's benefit to the community.

Application Process, Requirements & Eligibility

The program manager determines applicant eligibility for assistance in accordance with the requirements set forth below and the HUD Community Planning Department (CPD) Income Eligibility Calculator. The owner will be required to re-certify their household income if the project hasn't begun within 12 months of initial eligibility notification.

Before submitting an application, please contact the CDBG office to **schedule an appointment** with to review the application and all documentation. The income verification process will not begin until the application is complete.

Program manager will send the owner written notice of income and project eligibility. The eligible owner will be placed on a waiting list prioritized according to the date complete applications are received and determined to be income eligible. Non-eligible owners are encouraged to re-apply if their financial circumstances change.

Submit all applicable documentation with the application. Additional information may be requested during the application review process.

- Income Tax return, most recent year, Federal and State with Schedules and W2's.
- Earned Income: 1099-Misc or wage statement, most recent 8 weeks. Include an explanation of other employment compensation, i.e. overtime hours (guaranteed or not-guaranteed), bonus commission, etc.
- Other Employer Income: Include explanation of non-salary income compensation, i.e. overtime hours, bonus, commission, if applicable.

- Other Revenue: investment distributions, alimony and/or child support amount, unemployment statement, rental property lease, independent contractor, etc.
- Benefit Income: ALL Social security, disability, unemployment, Workmen's Compensation, military pay, Food Stamps (SNAP), Aid to Family payments (AFDC), etc.
- Bank: ALL CD, saving(s) and checking account statements, past 6 months.
- Investment/IRA: ALL IRA, CD, cash reserve, stocks, bonds and pension account statements, past 6 months.
- Other Cash: Document lump sum or one time deposits, such as monetary gifts, inheritances, capital gains, lottery winning, insurance settlements or other.
 - Cash assets over \$5,000 are considered income. Cash assets up to \$50,000 will not disqualify an applicant from assistance if no other financial retirement or investment accounts are available to the applicant(s).
 - Cash assets earmarked for down payment explained below.
- A signed Letter of Intent regarding down payment amount and source, if applicable.
- Copy of Bankruptcy Grant Notice and/or a Foreclosure Writ of Possession statement
- Copy of current utility statement with applicant name, address, account balance.
- Verification of full-time student: college enrollment letter from registrar or recent grades documenting a minimum of 12 credits or 4 classes.
- Divorce decree/agreement, if applicable.
- Tenant Household Income Certification, if applicable

Household Income Verification

The household's annual adjusted gross income must not exceed the HUD Income Limit. Program eligibility is based on the household income. All persons over the age of 18, except for a full-time student, must submit the documentation listed above at the time of application.

HUD Income Limit 5/15/2023

<u>Household Size</u>	<u>Annual Adjusted Gross Income (AGI)</u>
	80% Area Median
1	\$66,300
2	\$75,750
3	\$85,200
4	\$94,650
5	\$102,250
6	\$109,800
7	\$117,400
8	\$124,950

Applicant Requirements

1. Buyer(s) meets HUD area income limits by household.
2. Buyer(s) purchases a property in the City of Milford.
3. Buyer(s) who have a homeownership history may qualify if;
 - Buyer(s) has never owned a property.
 - Buyer(s) has not owned a home in three (3) years.
 - Buyer is legally divorced, separated, and/or a parent who owned a home with former spouse/partner/parent of child.
 - Homeowner(s) whose principal residency did not have a permanent foundation.

4. Buyer(s) attend pre-purchase housing counseling class (free) and submit a certificate of completion. Information provided below.
5. Buyer(s) Letter of Intent to contribute a minimum of \$2,000 toward the total down payment and the source of their portion of the cash down payment.
6. Buyer(s) will purchase the property as a primary residence not a rental.
7. Buyer(s) agree to secure the Direct Homeownership Assistance with a 2nd Mortgage and Promissory Note.
8. Buyer(s) submit a copy of a fully executed Purchase Contract
9. Buyer's loan terms of first Mortgage and interest rate are not under sub-prime conditions
10. Buyer(s) purchase the property (single family, two-family, condominium) for use as a primary residency (owner-occupancy) in Milford.
11. Buyer(s) must hold legal title to the property.
12. Property requires a Lead-Based Paint Inspection, Testing and/or Assessment Report, if built prior to 1978.
13. Buyer(s) submits a Homeowners Insurance Policy and/or Flood Insurance Policy for the total replacement value of the home and the entire loan term.
14. Buyer(s) will add to the City of Milford as an additional insurer to the Homeowner's Insurance Policy and/or Flood Insurance Policy.
15. Buyer(s) total Mortgage amount cannot exceed the purchase price.
16. Buyer(s) purchase property must be free of liens and encumbrances.
17. Buyer(s) executes a CDBG Agreement and Mortgage Lien to secure the deferred loan by the City of Milford.

First Mortgage Approval

1. The buyer(s) are responsible for securing a first mortgage from a private reputable lending institution.
2. Negotiating typical loan criteria for residential owner-occupied borrowers.
3. Adhere to the recommended debt-to-income ratio 30-35% or 43% including personal debt. A combined housing costs include the mortgage principal/interest plus taxes and property insurance plus monthly costs.
4. Share all first mortgage documents with the Milford CDBG Administrator a minimum of two weeks prior to the real estate closing date.

Program Pre-Closing Checklist

1. Pre-purchase Housing Counseling Class Certificate (Buyer)
2. Lender Pre-Approval letter for the purchase property
3. Lead-Based Paint inspection and/or testing
4. Letter of Intent with down payment amount and source of funding. (Buyer)
5. Fully Executed Purchase Contract (Buyer)
6. First Mortgage Commitment Letter (lender).
7. Property inspection report (buyer).
8. Property appraisal (lender).
9. HUD-1 / Estimate Closing Disclosure form (lender)
10. Good Faith Estimate of closing costs (lender).
11. Lender underwriting worksheet with debt-to-income ratios and City loan amount.

Program Loan Terms

1. The amount of CDBG program assistance is dependent on the purchase price, verification of the buyer's minimum contribution, closing cost amount and total down payment required by the lender.
2. CDBG program funds are allocated as a 0% interest loan with no monthly payments.
3. CDBG program funds are secured by a second mortgage recorded on the City land records.
4. CDBG loan is forgivable after the end of the loan period or payable upon:
 - The sale, refinance or transfer of the property, except in the case of a quit claim deed to spouse.
 - If the property ceases to be owner occupied.
 - Upon the default of the first mortgage.
5. The property must remain owner-occupied for the duration of the loan period, except if rented under the State of CT 8-30g Affordable Housing regulations.

Terms of Assistance

CDBG funds are allocated in the form of a 0% interest deferred loan, forgivable after the loan term ends. The deferred loan in the form of a 2nd mortgage secures the loan on the land records.

Loan Terms:	5 year	\$2,000 - \$10,000 loan
	10 year	\$10,001-\$20,000 loan
	15 year	\$20,001-\$30,000 loan

No loan payments are due or accepted during the loan term period. Prior to end of loan term, the loan amount will be reduced at a monthly prorated amount equal to total loan/restricted period, multiplied by the remaining months in the restriction period. When the loan term has expired the CDBG Administrator will advise the owner by letter after the loan is released on the Land Records.

Should the Owner sell or otherwise transfer Title on the property prior to the loan term ending then the owner will pay the balance of the loan at the prorated amount. The Owner or their attorney may write to the CDBG staff to request a loan payoff amount at any time. Should the Owner want to open a home equity loan with a bank, the city will consider subordinating its loan if the Owner is willing to submit to a household income verification to determine if the household income does not exceed the HUD Income Limits at that time.

Title Transfer: sale of the property, transfers ownership interest through an estate or probate process to person other than spouse. Refinancing with an appraisal, a lower interest rate and no cash at closing will be subordinated. Reverse mortgages will not be subordinated. Subordination to an estate title transfer will be considered if the owner can verify the household is income eligible. The program manager has the sole discretion to grant or refuse to subordinate city interest in all cases.

Loan Closing Requirements

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. Copy of the executed first mortgage note and deed.
2. Copy of the final Closing Disclosure form
3. Copy of Homeowner's insurance Policy showing the City of Milford as the second mortgage holder.

Pre-Purchase Housing Counseling

Buyer(s) must contact a HUD certified Housing Counseling Agency to attend a “First Time Homebuyer” class. A Certificate of Completion will be required to receive approval for financial assistance from the Milford Direct Homeownership Assistance Program.

Classes are offered by several area agencies that specialize 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.

Counseling greatly increases a buyer(s) knowledge of the home purchase process, mortgage financing options and budgeting for housing costs to increase your success as a homeowner. Ask your first mortgage lender to offer special financing or a credit for completing the class.

Neighborhood Housing Services of New Haven, Inc., New Haven, CT 06511
Bridgeport Neighborhood Trust, Inc. , Bridgeport, CT 06604-4806
Housing Development Fund, Inc. , Stamford, CT 06901 & Bridgeport, CT 06604

Contact the HUD certified housing counseling agency of your choice using the link below to find t agency in Connecticut at: <https://www.hud.gov/counseling>

Lead-Based Paint Procedures

HUD requires all CDBG housing programs to provide participants with the informational pamphlet – “Protect Your Family from Lead in Your Home.” The pamphlet is included in the program application if the property was built prior to 1978 in which case the homes paint may contain 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 used to acquire or repair a 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 based paint testing will be required. If lead is found, a paint stabilization practices will be taken, or lead abatement (removed), if required, and clearance (final test for lead) is 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, a housing inspector will provide a detailed report of any deteriorated paint, peeling, chipping, chalking or cracked walls, both interior and exterior are considered a potentially hazard. 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.***” Paint stabilization is inexpensive and easy to perform.

A Visual Assessment will be performed by CDBG staff. If deteriorated paint is found, a certified lead based paint inspector will be hired to test the property for lead, at no charge to the buyer or the property owner. A LBP Test Report, if necessary, will be provided to the buyer(s) and seller(s). VISUAL ASSESSMENT, STABILIZATION AND CLEARANCE MUST OCCUR BEFORE REAL ESTATE CLOSING DATE.

Qualified First Mortgage Lending Institutions

Qualified lending institutions must provide to the CDBG Administrator the necessary documents to

financially assist the buyer(s) without any additional fees or charges to the City of Milford or the borrower. Reasonable lender terms should not exceed the equivalent 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 final approval of the City of Milford.

Shop around and compare lenders to receive the best rates and low fees, as well as additional down payment assistance in combination with the Milford program to make a new home affordable.

A few lenders who work to lower costs and CDBG are listed below.

Connecticut Housing Finance Authority (CHFA) (860) 571-3502 www.CHFA.org

Capital for Change (860) 233-5165 www.capitalforchange.org

Housing Development Fund (HDF) www.hdfconnects.org

Contact a local Credit Union or community bank

Down Payment Resource www.downpaymentresource.com

Other

Recipients of Direct Homeownership Assistance program are eligible to apply for the Milford Residential Repair Program after residing in the house for five (5) years.

Equal Opportunity Statement

The CDBG Homeownership program is funded by the U.S. Department of Housing and Urban Development 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, One Corporate Center, 20 Church Street, 10th Floor, Hartford CT, 06103-3220. The City of Milford Homebuyer Assistance Program is an equal opportunity lender.

Disputes/Complaints

Complaints concerning matters related to this program shall be filed with the Director of Economic and Development and CDBG Administrator in writing. The ECD and CDBG staff shall respond to complaints within ten (10) business days of receipt of the complaint. If the complaint is deemed a regulatory matter, the Staff will consult with the Hartford Office of Housing and Urban Development, Department of Community Planning and Development.

If the complainant is dissatisfied with the response of the EDC and CDBG staff, they may appeal to the City Attorney, 110 River Street, Milford CT 06460, 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 City Attorney shall issue a written decision within twenty (20) business days after receipt of the appeal.

