

Rider to Real Estate Purchase Contract

Employee Homebuyer Assistance Program

_____ (Property Address)
Dated this _____ day of _____ 20_____
Between _____ (“SELLER”)
and _____, (“BUYER”)
for property located at _____ (Property Address),
Hartford, Connecticut (the “Property”).

1. BUYER acknowledges that the City of Hartford (the “City”) has not made a determination as to the eligibility of his/her Employee Homebuyer Assistance Program application for homebuyer assistance. Upon a final determination of eligibility by the City, approval may be granted or denied. Persons/families that are eligible can be provided an interest free homebuyer assistance loan in an amount up to \$10,000. Funds provided to BUYER through the Employee Homebuyer Assistance Program are hereinafter referred to as “City Employee Homebuyer Assistance Program Funds.”
2. BUYER agrees to obtain a purchase mortgage from a lender, which conforms to the City’s Purchase Mortgage Lending Policy and Procedure. The Purchase Mortgage Lending Policy and Procedure is attached hereto as Exhibit 1.
3. BUYER agrees to execute a City of Hartford Employee Homebuyer Assistance Program Homebuyer Loan Agreement. As security to ensure compliance with such commitments, the BUYER will be required to give a mortgage secured by the Property (the “Mortgage”) to the City of Hartford in the amount of the City Employee Homebuyer Assistance Program Funds. Absent default, the Mortgage will require no payments and will be forgiven after the BUYER maintains the Property as his/her primary residence for a 3-year period.
4. BUYER acknowledges that no application fee will be imposed for the Employee Homebuyer Assistance Program.
5. The BUYER acknowledges that City of Hartford, its departments, divisions, or staff will not conduct an inspection of the property being purchased with the Employee Homebuyer Assistance Program funds. The City, the Housing Division, it's staff, etc., will be held harmless by any and all parties resulting from entering or purchasing the Property, the latent or patent physical condition (including environmental) of the Property, including any Hazardous Conditions or Materials. The City strongly encourages the BUYER to hire a licensed, certified home inspection company to complete a home inspection on the Property to protect his/her interests as it relates to the homebuying transaction.
6. BUYER acknowledges that he/she is a City and/or Hartford Board of Education employee who is a Permanent, full time employees OR Part-time, permanent, employees scheduled to work 20 hours or more per week.
7. The BUYER acknowledges and agrees to respond to the City of Hartford’s annual certification monitoring notice during the applicable owner-occupancy period - attesting to their ongoing primary residency at the Property.
8. The BUYER and SELLER acknowledge that the City of Hartford mortgage will be subordinate to any first mortgage and any other direct downpayment assistance (if applicable) financing obtained by the BUYER.

Rider to Real Estate Purchase Contract – Page 2
Employee Homebuyer Assistance Program

9. Failure of the BUYER to meet Employee Homebuyer Assistance Program eligibility requirements will result in the termination of Buyer's application and/or approval for Employee Homebuyer Assistance Program funds. In instances of aforementioned termination, conveyance of title related to the Property can or may occur between BUYER and SELLER without assistance from or participation by the City's Employee Homebuyer Assistance Program. Such a conveyance will occur at the sole discretion of the BUYER and SELLER, and/or any agents or representatives acting on their behalf.

SELLER: _____

(Signature)

Date

_____, Its Authorized Agent
(Printed Name)

BUYER: _____
(Signature)

Date

BUYER: _____
(Signature)

Date

Rider to Real Estate Purchase Contract - EXHIBIT 1

Purchase Mortgage Lending Policy and Procedure

In an attempt to fight predatory lending and reduce the number of home foreclosures, the City of Hartford (the 'City') has established the following standards for purchase (first-lien) mortgages, which are supported by subordinate liens under the *Employee Homebuyer Assistance Program* and for other City funded programs or projects as determined by the City:

- Predatory lending practices and abusive sub-prime mortgages are prohibited
- Lenders must make the best efforts to place borrowers in the least risky, most sustainable and most affordable loan product that is appropriate for the customer's financial situation
- Purchase mortgages must be conventional (fixed-rate) or responsible sub-prime loans
- Lenders must provide evidence that they are direct Fannie Mae lending partners or Freddie Mac approved lenders
- Originated mortgages must be eligible for purchase by Fannie Mae, Freddie Mac, Connecticut Housing Finance Authority (CHFA) or Federal Housing Administration (FHA)
- Mortgages with balloon payments, interest only or interest first provisions, and those that allow for no income-no asset, or stated income-stated asset features (financial information provided by mortgage applicants that is not verified by lenders) are prohibited
- Prepayment penalty terms must not exceed three years, and must show a specific benefit to the borrower (such as a rate or fee reduction for accepting the prepayment penalty terms)
- Adjustable rate mortgages (ARMs) are prohibited – unless borrowers are qualified at the fully-indexed and fully amortizing rate
- Lenders must agree to maintain foreclosure prevention practices that meet or exceed the standards set by Fannie Mae or Freddie Mac
- Potential homebuyers must complete an 8-Hour Homebuyer Education class by a HUD-approved provider
- Lenders, developers and homebuyers must acknowledge compliance with this policy

Sub-Prime Lending

According to Freddie Mac, 'sub-prime' is an industry term used to describe credit and loan products that have less stringent lending and underwriting (loan approval) terms and conditions. As a compensating factor for the higher risk, however, sub-prime products charge consumers higher interest rates and fees. A sub-prime loan is one typically offered to people who have problems with their credit. The loan's interest rate is higher than the prevailing rate available to those with exemplary credit histories. The higher rate is imposed because of the additional risks involved in lending to someone with poor credit or without a financial track record.

Responsible Sub-Prime Lending is Legal

Abusive Sub-Prime Lending is Predatory and Illegal!

Predatory lending is any practice in which lenders try to fool or intimidate consumers into agreeing to loans that are ultimately unaffordable and do not meet industry standards. Predatory lending practices involve some or all of the following:

- Steering applicants to higher cost mortgage products that are designed for less creditworthy borrowers – when the applicant can qualify for a lower-cost mortgage
- Offering only loans with higher interest rates than the borrower can afford
- Adding unnecessary fees to the cost of the mortgage
- Including "balloon payments" - a large one-time payment - at the end of a payment schedule that disguises the true, higher-than-expected, cost of the loan
- Moving a borrower from one loan to another near the end of the payment schedule to extend interest payments and add to the overall cost of the loan
- Forcing borrowers to purchase more insurance than the law requires, and more than the borrower needs

Homebuyer Resources for Learning More about Predatory Lending and Abusive Sub-Prime Loans

Freddie Mac - New York Regional office at (212) 418-8900
<http://www.freddiemac.com/index.html>

Connecticut Department of Banking - 1-800-831-7225 toll-free
http://www.ct.gov/dob/site/default.asp?dobNav_GID=

Purchase Mortgage Lending Procedure

LENDERS (other than the Hartford Area Habitat for Humanity, Inc.) originating purchase mortgage loans supported by the *Employee Homebuyer Assistance Program* are required to certify that mortgages comply with the City's Purchase Mortgage Lending Policy

HOMEBUYERS receiving funds from the City's *Employee Homebuyer Assistance Program* are required to acknowledge their willingness to comply with the City's Purchase Mortgage Lending Policy

DEVELOPERS are required to notify potential homebuyers that they must comply with this Policy.

By adhering to this policy, the City of Hartford is not responsible for ensuring that a homebuyer's purchase (first-lien) mortgage is not an abusive sub-prime loan.