

**CITY OF HARTFORD  
DEPARTMENT OF DEVELOPMENT SERVICES  
HOUSING AND PROPERTY MANAGEMENT DIVISION**

***HOUSEHARTFORD***

**PROGRAM DESCRIPTION**

**A HOMEBUYER  
ASSISTANCE PROGRAM**



**2010**

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**I. INTRODUCTION/PURPOSE**

In an effort to increase home ownership opportunities, the City of Hartford, Housing and Urban Development (HUD), and Fannie Mae, together with local mortgage lenders, created HouseHartford to assist potential homebuyers in Hartford. HouseHartford, funded through HUD's HOME Investment Partnerships (HOME) Program, offers low and moderate income homebuyers downpayment assistance, when applicable closing cost assistance or, mortgage interest rate buydowns for purchasing one-to-four-family homes. HouseHartford can provide an opportunity for persons-families to purchase homes in Hartford for their principal place of residence that without such assistance would not be able to acquire their own homes.

**II. PRIMARY PROGRAM PURPOSE**

The primary purpose of the HouseHartford Homebuyer Assistance Program is to provide households with the opportunity to purchase their own homes for their principal residence thereby providing them security and control over their living situation that rental housing typically cannot provide. It is hoped that this program will provide an incentive to households to purchase homes in Hartford.

The HouseHartford Homebuyer Assistance Program will also help to achieve the following:

- To leverage private investment in Hartford's neighborhoods.
- Assist income eligible public housing tenants and renters in becoming homeowners.
- Stabilize and increase property values.
- Help create neighborhoods that are economically stable and physically attractive.
- Improve the quality of life in the City.
- Increase owner-occupancy of both single and multi-family properties.
- Help create a balance between rental housing and homeownership.

**III. INCOME ELIGIBILITY REQUIREMENTS**

Generally speaking low, moderate and middle-income potential homeowners can apply for assistance under this program. There are, however, program restrictions based upon the total annual household income of the applicant. Purchasers of homes are required to use assets for the downpayment and/or closing costs, with exception of seven thousand five hundred Dollars (\$7,500.00)

**A. Single-Four family Properties and Condominium Units**

For a single-four family property or condominium unit the total annual household income of the homebuyer cannot exceed the following income limits shown by household size. These maximum income limits are established by HUD and are based upon 80% of the Hartford Area Median Family Income (HAMFI).

<b>Income Limits For Single-family Properties</b>					
1 Person	—	45,500	5 Person	—	70,200
2 Person	—	52,000	6 Person	—	75,400
3 Person	—	58,500	7 Person	—	80,600
4 Person	—	65,000	8+ Person	—	85,800

**Box #1**

**B. Eligible Property Types**

1. Single-family (one unit) homes
2. Two to four unit properties
3. Condominium units
4. Properties must have an initial purchase price that does not exceed the National Housing Act's Mortgage Limits (Section 203b) based on the type of housing (1-4 family residence, condominium, cooperative unit, etc.). These maximum purchase price limits are as follows:

1 Family	\$333,735	2 Family	\$375,891
3 Family	\$456,690	4 Family	\$526,950

**IV. REQUIRED PERIODS OF OCCUPANCY, AFFORDABILITY AND RECAPTURE PROVISIONS**

**A.** The HOME-Assisted unit must remain affordable and be occupied by a person or family whose income qualifies as low-income at the time of purchase for minimum periods of 5 years where the per unit amount of HouseHartford funds provided is less than \$15,000.00, ten (10) years if the amount of assistance provided is more than \$15,000.00 but less than \$40,000.00, which period shall commence on the date the property is acquired.

The HOME-Assisted units/properties will be subject to the following Affordability and Recapture provisions:

1. If a property is sold prior to the end of the first year of ownership the entire amount of the HouseHartford loan must be repaid. If the owner occupant is designated as the HOME-Assisted unit, and the owner occupant repays the HouseHartford Loan, then all of the requirements pertaining to affordability and occupancy cease to exist.
2. If the property is sold after the first year of ownership, the amount to be repaid will be reduced pro-rata based on the number of years the homeowner has occupied the unit measured against the required affordability period. For example:

Where the affordability period is five years, the amount to be repaid will be reduced at the rate of 20% per year resulting in the complete forgiveness of the loan at the end of year five (365 days per year).

Where the affordability period is ten years, the amount to be repaid will be reduced at the rate of 10% per year resulting in the complete forgiveness of the loan at the end of year ten (365 days per year).

3. If the net proceeds (i.e., the sale price minus mortgage loan repayment, other than homebuyer assistance funds) are not sufficient to repay the full amount due under the recapture provisions plus enable the homeowner to recover the amount of the homeowner's downpayment and any capital improvement investment, the homebuyer will be allowed to recover his investment from the net proceeds. Any remaining proceeds will be repaid to the City.

- B.** Purchasers must comply with the guidelines pertaining to Lead-Based Paint. A summary of these guidelines is contained in Attachment A.

## **V. GENERAL PARAMETERS**

- A.** The City will provide the minimum assistance to qualify under Fannie Mae's Community Homebuyer Programs which most area lenders offer. Support will be in the form of a 0%, five or ten year term loan. The loan will have deferred principal payments. If the borrower complies with the conditions of the loan, namely; maintains the residence as the borrower's primary residence for the required period of occupancy and affordability described in Section IV; maintains the property, complies with the terms and conditions of any first mortgage lien; and maintains appropriate hazard insurance, the City's homebuyer assistance loan will be reduced pro-rata based upon the time the homeowner has occupied the unit measured against the required affordability period. See Section IV-A 1, 2, 3.

## **VI. HOUSEHARTFORD DOWNPAYMENT AND CLOSING COST ASSISTANCE LOAN TERMS**

### **A. Downpayment Assistance**

The actual terms of the City's Downpayment Loan will be based upon the total annual household income of the homebuyer.

For persons/families earning 0-80% of the Hartford Area Median Family income adjusted for family size established by HUD as the low-income limits under the HOME Program, the City of Hartford Department of Development Services Housing and Property Management Division will provide an interest free loan up to \$14,999. For selected areas or on a case by case basis the City may consider raising only the homebuyer downpayment assistance in excess of \$14,999. (Must meet affordable purchase mortgage)

These maximum income limits listed below have been established by HUD and are based upon 80% of the Hartford Area Median Family Income. Persons earning greater than these income limits cannot purchase a single-family home.

<b><i>Income Limits For Single-family Properties</i></b>					
<i>1 Person</i>	<i>—</i>	<i>45,500</i>	<i>5 Person</i>	<i>—</i>	<i>70,200</i>
<i>2 Person</i>	<i>—</i>	<i>52,000</i>	<i>6 Person</i>	<i>—</i>	<i>75,400</i>
<i>3 Person</i>	<i>—</i>	<i>58,500</i>	<i>7 Person</i>	<i>—</i>	<i>80,600</i>
<i>4 Person</i>	<i>—</i>	<i>65,000</i>	<i>8+ Person</i>	<i>—</i>	<i>85,800</i>

### **B. Eligible Closing Costs**

When applicable (Hartford Housing Authority applications) the City will provide interest free loans to the Borrowers for eligible closing costs up to a maximum of \$3,000. The terms of the loan will be the same as those described in the preceding Paragraph A under downpayment assistance. The eligible closing costs are limited to the following:

- One (1) origination (or discount) point
- Application fees
- Real estate appraisal fees
- Tax service fees
- Flood certification fees
- Documentation/processing fees (maximum of \$500)
- Title search fees
- Title insurance
- Recording fees
- Courier and/or wire fees
- Attorney's fees (bank representation and personal representation fees up to a maximum of \$550)
- Credit report

## **IN NO CASES WILL SELLER ADJUSTMENT COSTS BE PAID**

### **C. Participation:**

#### **Homebuyer**

A closing cost minimum of \$1,000 for households with income less than or equal to 50% AMI and a minimum closing cost of \$2,000 for households with income at 51% - 80% AMI. The signed purchase and sale agreement and the final HUD1 must reflect the figures stated above. "NO CASH" back at closing to borrower.

#### **Participants must attend City Homebuyer Information Session**

The City of Hartford will hold homebuyer information sessions to discuss our homebuyer program. All perspective homebuyers must contact the City and meet with a staff member to discuss further the HouseHartford Program.

#### **Participating Lending Institutions**

Program approved Lending Institutions and mortgage companies, as the borrower's purchase mortgage lender, will determine a maximum approved mortgage amount for each borrower based on their lending program parameters. The purchase mortgage lender's approval documentation must include the amount of monthly principal, interest, taxes, insurance – both property hazard and private mortgage, (PITI), and condo fees when applicable. In addition, the approval documentation should note the front-end ratio percentage used during the lender's underwriting process and provide a CHFA or FHA designation when applicable. In the absence of this ratio information, the City must obtain the approved front-end ratio from the purchase mortgage lender. The Lender shall submit the least amount of financial assistance required for the homebuyer to meet the underwriting criteria.

#### **Underwriting Criteria:**

**Housing and Property Management (HPM) staff will review and approve the borrower's mortgage PITI** amount provided by their bank or mortgage company to ensure that the mortgage obtained by the borrower is affordable in accordance with these underwriting standards as listed below. HPM staff will document mortgage affordability on a calculation worksheet and inform the either the developer or lender (participating in the HOME program) as to whether the borrower's proposed PITI falls within the HOME mortgage affordability guidelines.

The City will review the lender's approved PITI amount to determine if the PITI is  $\leq 30\%$  (or up to 33%) of the borrower's gross monthly income as defined above. Borrower's approval documentation from their purchase mortgage lender must be provided to the City for purposes of performing a mortgage affordability review. The estimated homeowner's hazard insurance, property tax, and condominium fee amounts used by the purchase mortgage lender to assess debt service ratios will also be used by the City for purposes of determining affordability. The City reserves the right to substitute different amounts as deemed necessary (e.g., current property tax amounts received from the Tax Assessor's office, hazard insurance estimates for condominiums when first mortgage lenders do not require such insurance, etc.) when calculating/certifying front-end ratios.

**Mortgage Affordability Determination Method:**

A **maximum front-end ratio of 30%** of the borrower's gross monthly income will be utilized by the City of Hartford to determine mortgage affordability. However, if the purchase is part of a CHFA or FHA purchase (first) mortgage program, then these agency's higher housing ratios up to 33% - will supersede the 30% maximum. (Front-end ratios are established by lenders for each individual borrower – they are not established generically for FHA or CHFA programs. CHFA and FHA approve each borrower's front-end ratio as recommended by the lender.) Borrower is defined as the member(s) of the household (individual or family) that will obtain purchase mortgage financing for purposes of taking title to the property at the time of conveyance.

A **minimum front-end ratio of 25%** is also required whenever the homebuyer is receiving any form of financing from the City of Hartford. The requirement for a minimum front-end ratio would not apply when a homebuyer will purchase the property for its fair market value (e.g., when the Purchase and Sale price is approximately equal to the appraised value).

For purposes of determining mortgage affordability **gross income will be anticipated income** as defined in 24 CFR Part 5 (formerly commonly referred to as the Section 8 definition) – except, **only sources of regularly recurring actual income will be utilized.** Examples of income sources, include, but are not limited to: wages, salary, net income from the operation of a business, overtime pay, commissions, fees, tips, bonuses, social security, pensions, annuities, disability benefits, alimony, child support, regular gifts received from organizations or persons not residing in the dwelling (gift income must be evidenced by two years of cancelled checks), and other similar types of periodic receipts. (For purposes of assessing mortgage affordability, unemployment compensation would not be considered regularly recurring income.) In addition, actual income derived from interest and dividends and other net income of any kind from real or personal property is included - except for retirement funds (e.g., IRAs, Roth IRAs, 401Ks, 403bs, 457s, etc.) when the borrower is not withdrawing

principal, interest or dividends from such accounts. Anticipated rental income from a multi-family (2-4 units) property (e.g., purchased under the HOME Program) will be counted at the rate of 75% of the "cold-flat" monthly rental amount for conventional loans and 85% for FHA Loans. (For purposes of assessing mortgage affordability, cold flat rental income may not exceed the Hartford area "HIGH INCOME" rent – based on bedroom size, less utility allowance) Regular recurring actual monthly income should be added to 75% (or 85% when applicable) of the "cold flat" monthly rental amount to determine total monthly income. The total monthly income is then multiplied by 30% (or up to 33% when applicable) to determine the maximum PITI amount.

**Homebuyers who own other real residential property** must liquidate the property before purchasing a HOME subsidized property. Sale proceeds must be used towards downpayment and/or closing costs to acquire the property subsidized by the HouseHartford Program.

**Homebuyers with cash assets exceeding \$7,500.00** (excluding retirement accounts) must utilize those funds as a downpayment on the property subsidized by the HOME Program. The reduced amount of cash assets will be utilized when calculating actual income derived from cash assets when calculating mortgage affordability ratios. The requirement for a \$7,500.00 cash reserve maximum would not apply when a homebuyer will purchase the property for its fair market value (e.g., when the Purchase and Sale price is approximately equal to the appraised value) as long as the homebuyer's mortgage front-end ratio meets the requirements of these underwriting standards.

**Prior to the execution of a purchase and sale contract (P&S).** The P&S must include the City of Hartford HouseHartford Development Program's P&S Rider.

**D. Purchase Mortgage Rate Interest Rate Buydown:**

**Assistance will be as follows:**

For persons/families earning from 0% to 50% of the Hartford Area Median Family income adjusted for family size established by HUD as the low-income limits under the HOME Program, the City of Hartford Department of Development Services Housing and Property Management Division will provide an interest free loan in an amount equal to \$14,999.

For persons/families earning from 51% to 80% of the Hartford Area Median Family income adjusted for family size established by HUD as the low-income limits under the HOME Program, the City of Hartford Department of Development Services Housing and Property Management Division will provide an interest free loan in an amount equal to \$10,000.



Any interest rate reduction on the First Mortgage securing the purchase price of the home provided by the assistance loan from the City is for the purpose of permanently reducing the interest rate applicable to the First Mortgage securing the purchase price of the home.

Applicants and Lenders must adhere to Part A, B, C listed above.

## **VII. OTHER PROGRAM RESTRICTIONS**

### **A. Relocation**

HouseHartford funds cannot be used if the approval of such funding will result in the involuntary displacement of an existing tenant.

### **B. HPLF Participation**

Generally homeowners who received a funding subsidy from the Housing and Property Management Division for the purpose of purchasing their property, such as HouseHartford Program, are not eligible to receive Housing Preservation Loan Fund (HPLF) assistance during the affordability period of these other funding programs. However, under special circumstances a homeowner may be eligible for HPLF assistance should the needed repairs pose a threat to the health, safety and/or general well-being of the occupants. Under these circumstances, typical examples of eligible repairs would be roof and boiler/furnace replacement or repair. (Usually, lead-based paint hazard repairs would be referred to LAMPP or the City's Health and Human Services Department.) The Director of Housing and Property Management has the discretion to approve exceptions as noted here and as noted in Program Flexibility below.

### **C. Homebuyer Education Program Requirement**

The Borrower must agree to enroll in and successfully complete an Eight-Hour Homebuyer Education Program prior to closing ( at a minimum certificate must indicate participant name, class hours /course, agency identification along with signature from class instructor). The borrower will be required to provide the City with proof that they have successfully completed a Fannie Mae approved Homebuyer Education Program or the equivalent thereof as offered by NACA including NACA's Homebuyer Workshop, Purchase Workshop and comprehensive financial counseling

### **D. Housing Quality Standards Inspection Requirement**

The seller must agree to allow the City of Hartford to perform an inspection of the property. The property must pass the Housing Quality Standards (HQS) inspection prior to the City approving the HouseHartford funding. This should not be considered a comprehensive assessment regarding the condition of the property and the City makes no representations to that effect. The homebuyer is encouraged to contract with a Licensed Home Inspector for the purpose of more accurately determining the overall condition of the property. Consequently, buyers are advised not to enter into purchase and sale agreements that include 'as-is' conditions.

**E. CONFLICTS OF INTEREST:**

No member of the governing body of the City, nor its designees or agents, and no other public official paid or unpaid, who exercises any functions or responsibilities with respect to this program during the individual's tenure or for one (1) year thereafter, shall have any personal or financial interest, direct or indirect, in any contract or subcontract, or the proceeds thereof, for work to be performed in connection with the program.

**VIII. IMPORTANT! The City of Hartford's Lead and Housing Quality Standard inspection should not be considered a comprehensive assessment regarding the condition of the property and the City makes no representations to that effect. The homebuyer is encouraged to contract with a Licensed Home Inspector for the purpose of more accurately determining the overall condition of the property. Names of home inspection companies can be found in the yellow pages of your telephone directory under the heading "Home Inspection Services."**

**IX. APPLICATION PROCESS - Downpayment Assistance:**

City provides lender with the HouseHartford Program Description, Registration Form (including the Required Periods of Affordability and Recapture Disclosure Form, Application and Disclosure Form, Income Verification Worksheet, Program Brochure and Closing Documents.

1. Borrower attends City workshop or meets with Housing and Property Management (HPM) program staff prior to scheduling appointment with lender.
2. Lender completes the HouseHartford Registration form.
3. Lender underwrites the HouseHartford loan application according to HouseHartford program parameters.
4. Lender submits the completed HouseHartford Registration Form, signed sales agreement (along with city P&S rider), and income materials (e.g., most recent 1040 tax return, current pay stubs, other income etc.) to the City.
5. Housing and Property Management (HPM) staff reviews completed Registration materials for income eligibility.
6. Housing and Property Management (HPM) staff will review and approve the income eligibility and the borrowers mortgage PITI to ensure that mortgage obtained by the borrower is affordable in accordance with underwriting standards as listed in the document. If the homebuyer meets these threshold requirement, lender will be notified.

7. City initiates a Lead-Based Paint (LBP) and Housing Quality Standards (HQS) inspection.
8. City notifies lender regarding the outcome of the LBP and HQS inspections.
9. City notifies the lender regarding the application's preliminary approval, specific conditions, and requests the remaining application materials.
10. Lender provides City with their mortgage commitment letter, homebuyer education seminar certificate, purchase mortgage certification and property appraisal.
11. City provides the lender with a Notice of Final Loan Approval.
12. Lender schedules closing and notifies City of closing date.
13. Lender submits HUD-1 Settlement Sheet draft (If applicable Eligible Closing Cost form) to the City for approval prior to the closing.
14. City reviews closing costs & notifies lender of total approved amount prior to closing.
15. Lender pre-funds the City's portion of the Downpayment and or Closing Cost assistance at the closing.
16. Closing attorney records all documents.
17. Closing attorney returns copies of the Secured Note and Mortgage Deed to the City, with the original signed HouseHartford Loan Agreement.
18. Lender submits Check Requisition form to the City.
19. After verification of the City's lien in the land records, City initiates the check requisition process and reimburses the lender for the approved pre-funded downpayment. (if applicable closing cost assistance only).
20. City executes signatory page of loan agreement.
21. City monitors for HouseHartford Program compliance for the term of the loan.

## **APPLICATION PROCESS - Purchase Mortgage Interest Rate Buydown:**

1. Borrower attends City workshop or meets with Housing and Property Management (HMP) staff prior to scheduling appointment with lender.
2. City provides lender with the HouseHartford Program Description, Registration Form (including the Required Periods of Affordability and Recapture Disclosure Form, Application and Disclosure Form, Income Verification Worksheet, Program Brochure and Closing Documents.
3. Borrower attends NACA Home Buyer Workshop, where participants are provided with an overview of the homebuying process. This Workshop serves as an introduction to the good financial habits that make for successful homeownership, as well as the specific steps involved in the purchase of a home.
4. Borrowers go through comprehensive one-on-one counseling, wherein a NACA housing consultant reviews the tasks necessary for each individual to be qualified for the NACA product. The NACA Housing Consultant will meet with the borrower for as long as it takes to become qualified in the NACA program. As part of this counseling, NACA will determine the participants eligibility for the HouseHartford program.
5. Upon approval for a mortgage payment the participant can afford, the participant proceeds to a Purchase Workshop. This Workshop provides the participant(s) with information on the housing search, negotiating a purchase contract, doing a home inspection, and navigating the mortgage process.
5. NACA completes the HouseHartford Registration form. NACA will provide mortgage approval letter to the City.
6. NACA underwrites the HouseHartford loan application according with HouseHartford program parameters.

7. NACA submits the completed HouseHartford Registration Form, signed sales agreement, and income verification materials (e.g., most current 1040 tax return, current pay stubs, other income etc.) to the City.
6. Housing and Property Management (HPM) staff reviews completed Registration materials for income eligibility.
7. Housing and Property Management (HPM) staff reviews and approves the income eligibility and the borrowers mortgage PITI to ensure that mortgage obtained by the borrower is affordable in accordance with underwriting standards as listed in the document. If the homebuyer meets this threshold requirement, lender will be notified.
9. City initiates a Lead-Based Paint (LBP) and Housing Quality Standards (HQS) inspection. Simultaneous to the City conducting these inspections, a NACA approved housing inspector completes a home inspection. The results of this inspection are then reviewed by the NACA Home and Neighborhood Development (HAND)
10. City notifies lender regarding the outcome of the LBP and HQS inspections. Any repairs identified under the HQS must be completed before closing.
11. City notifies the lender regarding the application's preliminary approval, specific conditions, and requests the remaining application materials.
12. NACA provides City with homebuyer education seminar certificate and property appraisal.
13. City provides the lender with a Notice of Final Loan Approval.
14. NACA schedules closing and notifies City of closing date.
15. NACA submits HUD-1 Settlement Sheet to the City
16. NACA pre-funds the City's portion of homebuyer assistance at the closing according to persons/families earning 0-50% or 51-80% of HAMFI. See VI-Sec.D
17. Closing attorney records all documents.
18. Closing attorney returns copies of the Secured Note and Mortgage Deed to the City, with the original signed HouseHartford Loan Agreement.
19. Lender submits Check Requisition form to the City.

20. After verification of the City's lien in the land records, City initiates the check requisition process and reimburses the lender for the approved pre-funded homebuyer assistance.
21. City executes signatory page of loan agreement.
22. City monitors for HouseHartford Program compliance for the term of the loan.

#### **X. SUBORDINATION REQUESTS**

The City of Hartford will not subordinate its mortgage to any future mortgage unless the purpose of the loan secured by such future mortgage is a rate reduction applicable only to the First Mortgage. Any Borrower seeking to withdraw equity from the Property as a result of any refinancing will be required to immediately repay the HouseHartford homebuyer assistance loan upon such refinancing.

#### **XI. PROGRAM FLEXIBILITY**

With the exception of items required by HUD regulations, the Department of Development Services Housing and Property Management Division, as the administering authority, shall have the flexibility to waive any of the policies and/or procedures contained in this document on a case by case basis when it is determined to be necessary in order to proceed with a course of action that is consistent with the stated purpose of the HouseHartford Homebuyer Assistance Program.

#### **XII. Purchase Mortgage Lending Policy / Purchase Mortgage Certification**

In an attempt to fight predatory lending and reduce the increasing number of home foreclosures, the City of Hartford has established standards for purchase (first-lien) mortgages, which are supported by subordinate liens under the *HouseHartford Homebuyer Assistance* Program and for other City funded programs or projects as determined by the City. See Exhibit A / B.

#### **XIII. Delinquent Taxes**

In addition, recipient of HouseHartford financing must comply with the March 11, 1996 Court of Common Council resolution which prohibits the City from conducting business with an entity owning or controlling property which is delinquent in its taxes, loans, fines, fees or other funds owed to the City, whether such owner is delinquent as a corporation or corporate stockholder with one third or greater interest in the corporation, part or whole of a partnership or as an individuals. This applies to both the developer and borrower(s) of HouseHartford financing.

#### **IX. Provider List - 8-Hour Homebuyer Education Class. See Exhibit C**

## **Lead-Based Paint Guidelines ATTACHMENT A**

The Borrower must comply with the following guidelines pertaining to lead-based paint when receiving HouseHartford funds for Downpayment/Closing Cost Assistance.

1. If the home was built before 1978, a notice, entitled Watch Out for Lead-Based Paint Poisoning, will be provided to the prospective buyer by the Lender / City of Hartford, Department of Development Services' Housing and Property Management Division explaining the possible existence and hazards of lead-based paint. The notice describes the hazards that lead-based paint poses to children.
2. An inspection of the property will be conducted by the Department of Development Services' Housing and Property Management Division to determine the presence of defective paint (i.e., paint that is cracking, scaling, chipping, peeling or chalking). All defective paint surfaces found must be treated to eliminate potential hazards. At a minimum, treatment is removal of the defective paint and repainting of the surface. If defective paint is found workers trained in lead-safe work practices must correct these surface areas and conclude the work with thorough cleaning of all surfaces to remove dust particles. Paint stabilization and subsequent lead-based paint clearance testing must be accomplished prior to a loan closing. The prospective buyer will be provided with a lead management plan, which educates the buyer about property maintenance. Copies of the clearance and lead management plan shall also be provided to the Housing and Property Management Division.
3. If lead-based paint has been found in the house during the buyer's home inspection (independent of the city inspection) and the property will be occupied by a child under age 6 with an identified elevated blood-lead level, or if the property has been previously cited by the Health Department or is cited prior to the closing, as having toxic levels of lead and if the problem has not been remedied, then:

**First**, the seller will be required to secure the services of a licensed lead inspector/risk assessor who will develop a lead abatement plan for the property.

**Second**, the property must be fully abated by a licensed lead abatement contractor in accordance with the applicable State regulations.

**Third**, the City's Health Department will conduct a post-abatement inspection to verify that the lead-based paint hazards have been eliminated.

**Fourth**, the prospective buyer will also be provided with a lead management plan, which educates the buyer about property maintenance.

**Exhibit A**  
**Purchase Mortgage Lending Policy and Procedure**

Recent real estate trends have shown a significant increase in home foreclosures. Too often foreclosures are a consequence of predatory lending, including abusive sub-prime lending.

The prevalence of abusive sub-prime lending practices poses a threat to recent homeownership gains, as well as future prospects for accumulating wealth through homeownership. Although sub-prime lending provides a needed source of financing to borrowers with blemished credit, certain practices have been identified as having a high potential for lender abuse. These include the charging of excessive fees and points, inadequate borrower choice about mortgage terms, such as prepayment penalties. In too many cases, vulnerable borrowers have had hard-won equity stripped from their homes.

Recently, both, Fannie Mae and Freddie Mac assumed a leadership role in the secondary market industry by implementing higher underwriting standards for the sub-prime mortgages they purchase. (Fannie Mae and Freddie Mac are shareholder-owned companies with a mission to expand affordable housing and bring capital to local communities in order to serve the U.S. housing market. Both companies have federal charters and operate in the secondary mortgage market to ensure that lenders have enough funds to lend to home buyers at low rates.)

**Purchase Mortgage Lending Policy**

**In an attempt to fight predatory lending and reduce the increasing number of home foreclosures, the City of Hartford has established the following standards for purchase (first-lien) mortgages, which are supported by subordinate liens under the *HouseHartford* and the *Appraisal Gap Financing* homebuyer assistance programs 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)



## **Purchase Mortgage Lending Policy - Continued -**

- 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 an approved city provider (see Exhibit A – 8-Hour Homebuyer Education Provider Directory)
- 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

## **Purchase Mortgage Lending Procedure**

**LENDERS (other than Habitat for Humanity and NACA) originating loans supported by *HouseHartford Homebuyer Assistance* or *Appraisal Gap Financing* programs are required to:**

- Certify that mortgages are either conventional (fixed-rate) or responsible sub-prime loans, and are in compliance with the City of Hartford's Purchase Mortgage Lending Policy
- Deliver a copy of the homebuyer's 8-Hour Homebuyer Education Certificate to the Housing & Property Management Division prior to closing a home sale
- Deliver a signed and notarized Purchase Mortgage Certification form to the Housing & Property Management Division prior to closing the home sale
- Only certification by the lender will be accepted, no brokers or agents

**HOMEBUYERS receiving *HouseHartford Homebuyer Assistance* or *Appraisal Gap Financing* Programs are required to:**

- Successfully complete an 8-Hour Homebuyer Education class by an approved city provider prior to purchasing a home
- Certify receipt of, and compliance with, the City of Hartford's Purchase Mortgage Lending Policy

**DEVELOPERS selling homes supported by the *Appraisal Gap Financing* Program are required to:**

- Inform potential homebuyers of first-lien mortgage standards by distributing the City of Hartford's Purchase Mortgage Lending Policy and Procedure
- Deliver Purchase Mortgage Certification forms to homebuyers, informing them that they must have the forms signed and notarized by their mortgage lender (lenders are responsible to forward executed forms to the Housing & Property Management Division prior to closing a home sale)
- Deliver a copy of the homebuyer's 8-Hour Homebuyer Education Certificate to the Housing & Property Management Division prior to closing a home sale

## **Homebuyer Resources for Learning More About Predatory Lending and Abusive Sub-Prime Loans:**

### **Mortgage Bankers Association of America:**

<http://www.stopmortgagefraud.com/>

1-800-348-3931 toll-free

### **Fannie Mae:**

<http://www.fanniemae.com/index.jhtml>

Fannie Mae Resource Center at 1-800-732-6643

### **Freddie Mac:**

<http://www.freddiemac.com/index.html>

Freddie Mac's New York Regional office at (212) 418-8900

### **Connecticut Department of Banking:**

[http://www.ct.gov/dob/site/default.asp?dobNav\\_GID=](http://www.ct.gov/dob/site/default.asp?dobNav_GID=)

1-800-831-7225 toll-free

**Potential homebuyers are strongly encouraged to be vigilant when considering home mortgage options, and are urged to access these resources to learn more about predatory lending.**

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





# City of Hartford

DEPARTMENT OF DEVELOPMENT SERVICES  
DIVISION OF HOUSING AND PROPERTY MANAGEMENT  
250 CONSTITUTION PLAZA  
HARTFORD, CONNECTICUT 06103

PEDRO E. SEGARRA  
MAYOR

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DAVID B. PANAGORE  
CHIEF OPERATING OFFICER/  
DEVELOPMENT DIRECTOR  
YASHA ESCALERA  
DIRECTOR  
HOUSING AND PROPERTY  
MANAGEMENT

### ***Purchase Mortgage Certification***

In an attempt to fight predatory lending and reduce the increasing number of home foreclosures, the City of Hartford has established a Purchase Mortgage Lending Policy, which sets standards for purchase (first-lien) mortgages that are supported by subordinate liens under the *HouseHartford Homebuyer Assistance*, the *Appraisal Gap Financing*, and the HOME Homeownership Housing Development programs and for other City funded programs as determined by the City.

Lenders agree to adhere to the following business practices when originating purchase mortgages:

1. Prohibit predatory lending practices and abusive sub-prime mortgage lending.
2. Make best efforts to place Hartford borrowers in the least risky, most sustainable and most affordable loan product that is appropriate for the customer's financial situation.
3. Originate mortgages that are conventional (fixed rate) or responsible sub-prime loans, which comply with the City of Hartford's Purchase Mortgage Lending Policy.
4. Originate mortgages that are eligible for purchase by Connecticut Housing Finance Authority, Federal Housing Administration, Fannie Mae or Freddie Mac. Further, lenders must provide evidence that they are direct Fannie Mae lending partner, or a Federal Housing Administration lending partner or Freddie Mac approved.
5. Prohibit 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).
6. Utilize prepayment penalties for a maximum term of three years, and only when there is a specific benefit to the borrower (e.g., rate or fee reduction for accepting the prepayment penalty terms, etc.).
7. Prohibit adjustable rate mortgages (ARMs) – unless borrowers are qualified at the fully-indexed and fully amortizing rate.
8. Maintain foreclosure prevention practices that meet or exceed Fannie Mae or Freddie Mac standards.
9. Ensure that homebuyers complete an 8-Hour Homebuyer Education class, by an approved city provider.

### Acknowledgements

I/We acknowledge that we have received a copy of the City of Hartford's Purchase Mortgage Lending Policy and that based on our lender's certification our purchase mortgage will comply with the Policy.

Date	Applicant's Name (printed)	Applicant's Signature
Date	Applicant's Name (printed)	Applicant's Signature

I acknowledge that I will adhere to the City of Hartford's Purchase Mortgage Lending Policy when originating mortgages that are supported by subordinate liens under the City of Hartford's *HouseHartford Homebuyer Assistance*, the *Appraisal Gap Financing*, and the *HOME Homeownership Housing Development programs* and for other City funded programs or projects as determined by the City. I further certify that I have explained the Policy and provided a copy of the Policy to the loan applicant.

I certify the above to be true and correct under the penalties and provisions of the United States Code, Title 18, Section 1001, and to any other applicable law.

Date	Lender's Name (printed)	Lender's Signature
Name of Lending Institution	Address of Property to Be Purchased	

STATE OF CONNECTICUT,        )SS.: Hartford  
COUNTY OF HARTFORD

On this \_\_\_\_ day of \_\_\_\_\_ 201\_\_\_\_, before me personally appeared \_\_\_\_\_, signer  
(Lender's Name)  
of the foregoing agreement, and acknowledged the same to be his/her free act and deed..

In WITNESS WHEREOF, I hereunto set my hand.

\_\_\_\_\_  
Commissioner of the Superior Court        Notary Public

## EXHIBIT C

### 8-Hour Homebuyer Education Provider Directory

<b>8-Hour Education Class Provider</b>	<b>Address</b>	<b>Agency Contact</b>
Urban League	140 Woodland St. Hartford, CT	Tymina Follins 527-0147 x295
Co-opportunity	20-28 Sargeant St. Hartford, CT	Gary Evans 236-3617 x101
HART	423 Washington St. Hartford, CT	Rica Charparro 525-3449 x102
Mutual Housing	95 Niles Street Hartford, CT	Marylyn Miranda 296-1797x16
Neighborhood Housing Services-NB	223 Broad St. New Britain, CT	Rosa Rivera or Mr. Kyle Anderson 224-2433
Christian Activities Council	47 Vine St. Hartford, CT	Tori Hamilton 527-6087
Neighborhood Assistance Corporation of America - NACA	1623 Main Street Springfield, MA	Chris Lee 413-788-6220