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## **Conduct of the Affairs of the Connecticut Housing Finance Authority**

### **A**

#### **Description of Organization**

##### **Sec. 8-248 A-1. Description**

The Connecticut housing finance authority (“CHFA”) derives its authority primarily from chapter 134 of the General Statutes (the “Act”). There are ten members of CHFA. Four members serve ex officio, namely the commissioner of housing, the secretary of the office of policy and management, the banking commissioner, and the state treasurer; six members, one of whom must be an officer or employee of the state, are appointed by the Governor with the advice and consent of the Senate. (Effective November 3, 1981)

##### **Sec. 8-248 A-2. Meetings**

CHFA shall hold regular meetings monthly and may hold special meetings from time to time. Notice of all meetings shall be filed in advance with the office of the secretary of state as provided in section 1-21 of the General Statutes. All regular and special meetings shall, except as the notice of a meeting states otherwise, be held at the offices of CHFA. All regular and special meetings, except executive sessions, shall be open to the public.

(Effective November 3, 1981)

##### **Sec. 8-248 A-3. Purposes**

CHFA exists for the purpose of alleviating the shortage of housing for low and moderate income families and persons by encouraging and assisting the purchase, development, financing, rehabilitation, and construction of such housing; for the purpose of restoring eligible urban areas in the state by financing mortgage loans for families and persons without regard to income limitations; and for certain other purposes related to housing as more particularly set forth in the Act.

(Effective November 3, 1981)

##### **Sec. 8-248 A-4. Executive director and staff**

CHFA shall appoint an executive director, who shall be the chief administrative officer and shall serve at the pleasure of CHFA. The executive director shall not be a member of CHFA. The executive director shall hire and supervise CHFA’s staff and shall approve all accounts for salaries, all allowable expenses of CHFA, its employees, and consultants, and all expenses incidental to the operation of CHFA.

(Effective November 3, 1981)

##### **Sec. 8-248 A-5. Official address**

CHFA maintains its offices and its principal place of business at 40 Cold Spring Road, Rocky Hill, Connecticut 06067.

(Effective January 27, 1986)

##### **Sec. 8-248 A-6. Public information**

The public may inspect the regulations, policy statements, bulletins, guidelines, interpretations, operating manuals, forms, and public records of CHFA at its office in Rocky Hill during regular business hours to the extent permitted by law. Requests for information about CHFA’s programs shall be submitted in writing to the executive director at CHFA’s offices. Requests for review of any CHFA action shall be

submitted in writing by any person affected to the executive director at CHFA's offices.

(Effective January 27, 1986)

## **B**

### **Operation of Organization**

#### **Sec. 8-248 B-1. Revenue bonds**

Pursuant to sections 8-250 (1) and 8-252 of the General Statutes, CHFA raises money through the issuance of bonds, bond anticipation notes, and other obligations to be repaid from CHFA's revenues. CHFA's obligations are not general obligations of the state, although, pursuant to section 8-258 of the General Statutes, if the housing mortgage capital reserve fund is less than required, there is deemed to be appropriated from the state general fund an amount necessary to restore such fund, which is to be repaid by CHFA. CHFA's obligations are not issued pursuant to the procedures provided by statute for general obligations of the state. The issuance of CHFA obligations shall be authorized by resolution adopted at a regular or special meeting.

(Effective November 3, 1981)

#### **Sec. 8-248 B-2. CHFA programs**

(a) CHFA shall operate a multifamily housing program to provide financing for rental housing of more than four units.

(b) CHFA shall operate a home mortgage program to provide financing for owner-occupied housing of one to four units for families and persons of low and moderate income and for families and persons of all income levels in certain urban areas of the state.

(c) In addition to its continuing programs, CHFA may, pursuant to the powers contained in the act, undertake pilot and experimental programs and demonstration projects designed to carry out the policies and purposes of the Act. The duration, scope, and cost for any pilot or experimental program shall be limited to what is reasonably necessary to determine whether the pilot or experimental program should be adopted as a continuing program or terminated. The scope and cost for any demonstration project shall be limited to what is reasonably necessary to demonstrate that the type of project promotes the policies and purposes of the Act. Any pilot or experimental program or demonstration project shall be authorized by resolution adopted at a regular or special meeting.

(Effective November 3, 1981)

#### **Sec. 8-248 B-3. CHFA-approved forms**

Loan applications, notes, mortgages, and other documents required by CHFA shall be executed on forms approved by CHFA, which forms shall not be changed without the prior written approval of CHFA.

(Effective November 3, 1981)

#### **Sec. 8-248 B-4. Fees**

CHFA may charge reasonable fees for processing mortgage applications and loans. Participating lenders may charge fees approved by CHFA as being reasonable to cover the costs of processing mortgage applications and loans.

(Effective November 3, 1981)

**Sec. 8-248 B-5. Federal preemption**

In order to carry out its purpose to provide housing for low and moderate income families with proceeds from tax-exempt bonds, CHFA must comply with federal law and regulations as modified from time to time. Therefore, to the extent that any provisions of federal law and regulations are in conflict with the provisions of these regulations, the provisions of federal law and regulations shall be deemed to be controlling.

(Effective January 27, 1986)

**Sec. 8-248 B-6. Trust funds**

All moneys received by CHFA, whether as proceeds of the sale of its bonds, as revenues, or otherwise, shall be deemed to be trust funds to be held and applied solely as provided by law.

Any officer with whom or any bank or trust company with which such moneys shall be deposited shall act as trustee of such moneys and shall hold and apply them for the public purposes of CHFA subject to the provisions of any relevant resolution authorizing the sale of revenue bonds or of any relevant trust agreement.

(Effective November 3, 1981)

**Sec. 8-248 B-7. Non-discrimination**

CHFA shall not engage in any unlawful discriminatory practice or policy in providing financing or other assistance for any housing. Financing for such housing and occupancy therein shall be equally available to all qualified persons, regardless of race, creed, color, national origin or ancestry, sex, marital status, families with children, age, mental retardation, or physical disability, except as may be required or permitted by law.

CHFA shall require that contractors or subcontractors engaged in the construction or rehabilitation of housing with construction financing by CHFA provide equal employment opportunity to all persons, regardless of race, creed, color, national origin or ancestry, sex, marital status, age, present or past history of mental disorder, mental retardation, or physical disability (except as permitted in section 46a-60 of the General Statutes) and comply with the affirmative action requirements of section 8-248 D-11 of these regulations.

(Effective November 3, 1981)

**Sec. 8-248 B-8. Reports**

Pursuant to section 8-260 of the General Statutes, within the first ninety (90) days of each calendar year CHFA shall report on its operations for the preceding calendar year to the governor. CHFA shall make a report to the General Assembly on or before February 15 in each year that the General Assembly meets in general session. The report shall include a summary of the activities of CHFA, a complete operating and financial statement, and recommendations of legislation to promote the public purposes of CHFA. The accounts of CHFA shall be subject to annual audits of the state auditors of public accounts.

(Effective November 3, 1981)

**Sec. 8-248 B-9. Security for CHFA loans**

Whenever CHFA makes or purchases loans to implement its programs, such loans shall be secured as required by chapter 134 of the General Statutes, with such additional security as CHFA deems appropriate, including, but not limited to, personal guarantees, letters of credit, bonds, leases, escrow arrangements, pledges,

reserves, security interests, mortgage interests, insurance, agreements, indemnities, warranties, assignments, or other forms of security.  
(Effective November 3, 1981)

## C

### Rule-Making Functions

#### Sec. 8-248 C-1. Authority to promulgate regulations

Statutory authority to adopt, amend, or repeal regulations is derived from the Act.  
(Effective November 3, 1981)

#### Sec. 8-248 C-2. Petition for the promulgation, amendment, or repeal of a regulation

Petitions by interested persons requesting the promulgation, amendment, or repeal of a regulation by CHFA must be submitted in writing to the executive director at CHFA's offices. Such petitions shall set forth the following: a description of the proposed regulation or amendment or the request for repeal; an explanation of the petitioner's interest in the particular subject matter; and the reasons for the proposal. Within thirty (30) days of the receipt of the petition, CHFA shall either deny the petition in writing, stating reasons for the denial, or initiate regulation-making proceedings.

(Effective November 3, 1981)

#### Sec. 8-248 C-3. Declaratory rulings

Requests for declaratory rulings should be submitted in writing to the executive director at CHFA's offices. Any declaratory rulings shall be adopted by resolution at a regular or special meeting. If CHFA fails to respond to such a request within sixty (60) days, the request shall be deemed denied.

(Effective November 3, 1981)

## D

### Multifamily Housing Program

#### Sec. 8-248 D-1. Multifamily loan application

An application for a CHFA multifamily mortgage loan for a proposed housing project shall be accompanied by the exhibits required by the application form or otherwise necessary to determine whether the mortgage loan applied for should be made. The issuance of a mortgage commitment evidences approval by CHFA of the mortgage loan application. The terms and conditions upon which CHFA will make the mortgage loan shall be contained in the mortgage commitment. The mortgage commitment shall be effective for a period set forth therein.

CHFA may require any or all of the following prior to determining whether an applied for mortgage loan should be made, without limitation by reason of enumeration:

- (a) proposed plans, drawings, and specifications for the proposed housing project;
- (b) evidence of the existence, availability, and adequacy of all required utility services without deferred cost or charge for connection thereto;
- (c) audited financial statements for the applicant's most recently completed fiscal year; and
- (d) market study to the satisfaction of CHFA.

(Effective January 27, 1986)

**Sec. 8-248 D-2. Multifamily loan closing requirements**

Prior to the advance of any funds to the mortgagor from the mortgage loan, CHFA shall require that the mortgagor deliver to CHFA the mortgage deed, note, and other documents required by the mortgage commitment or deemed by CHFA to be necessary to assure that the proposed housing will be completed and shall require that the mortgagor deliver to CHFA the following in a form and upon terms acceptable to and approved by CHFA, without limitation by reason of enumeration:

(a) a construction contract with the general contractor with a guaranteed maximum price including not less than a one-year warranty for construction defects;

(b) all building and other permits, licenses, waivers, variances, and approvals necessary for the construction of the proposed housing project;

(c) a mortgagee's title policy, with a company and in a form acceptable to CHFA, containing no exception other than those approved by CHFA;

(d) a currently dated survey within the standards of Class A-1 or A-2 of the code of the Connecticut Association of Land Surveyors showing all existing buildings and improvements, lot and building lines, encroachments, watercourses, wetlands, significant topographical features, easements, zoning classification, and other pertinent matters required by CHFA;

(e) agreements with the design architect and supervising architect, together with evidence of their professional liability insurance coverage in amounts established by CHFA for each proposed housing project;

(f) solvency certificates stating that the financial condition of the mortgagor has not suffered any material adverse change from the date of the mortgage loan application;

(g) a management agreement with the proposed management agent for the proposed housing project;

(h) complete cost breakdowns from the general contractor and mortgagor and from such other contractors and material suppliers as CHFA may require, in each case together with certifications that the proposed housing project or portions thereof can be built at the cost shown in said cost breakdowns;

(i) an opinion of an attorney for the mortgagor stating without limitation that the mortgagor is validly organized and existing, has authority to perform its obligations under the loan commitment, is bound by the mortgage note and other closing documents, and has no defenses to any action or proceeding to enforce any closing documents and that all applicable zoning, building, safety, ecological and environmental laws, codes, and regulations have been complied with and all appeal periods have expired, building permits have been legally issued, and construction in accordance with the plans, drawings, and specifications is authorized thereby;

(j) fire and other hazard insurance policies providing for such coverage, terms, deductibles, insureds, and loss payees as CHFA may require;

(k) an agreement to expend not less than such percentage of the proceeds of the mortgage loan for the acquisition, construction, or reconstruction of residential real property as may be required by CHFA to insure that any interest on bonds, bond anticipation notes, and other obligations issued by CHFA remains exempt from taxation;

(l) agreement that advances of mortgage proceeds shall be made no more frequently than once per month unless otherwise agreed to by CHFA; and

(m) documents satisfactory to CHFA evidencing the commitment of any federal, state, or local government, or agency thereof, to provide any insurance, subsidy,

grant, tax abatement or other assistance for the benefit of the proposed housing project.

(Effective January 27, 1986)

**Sec. 8-248 D-3. Mortgagor's certificate of incorporation**

CHFA shall require each organization applying for a mortgage loan to submit for CHFA's review its certificate of incorporation or other basic organizational documents. CHFA shall assure itself that such documents comply with the provisions of section 8-250 (cc) of the General Statutes.

(Effective November 3, 1981)

**Sec. 8-248 D-4. Tenant-selection plans**

Each applicant for a multifamily mortgage loan shall submit a tenant-selection plan that meets with CHFA's approval. The plan shall meet the standards set by applicable state and federal statutes and regulations.

(Effective January 27, 1986)

**Sec. 8-248 D-5. Management agent**

An applicant for a commitment from CHFA for a mortgage loan on a proposed multifamily housing project shall designate a management agent, and prior to the initial closing of the mortgage loan (or at such later time as permitted by CHFA), the designated management agent (if acceptable to CHFA) and the applicant shall enter into a management agreement providing for the management of the proposed housing project. The management agent shall prepare a management plan that provides a comprehensive description of the policies and procedures to be followed by the management agent in the management of the housing project. The designation of a management agent and the management agreement shall not be effective unless approved by CHFA, and the management plan shall not be effective until accepted by the applicant and approved by CHFA. The management plan shall be incorporated into the management agreement, and the management agent shall be obligated to perform under the management agreement in accordance with the provisions of the management plan and the management agreement.

(Effective November 3, 1981)

**Sec. 8-248 D-6. Management plan**

The management plan shall describe fully and accurately the proposal for the management of the proposed housing project and shall set forth all material or unusual circumstances or features affecting the housing project. The management plan shall include the tenant-selection plan and the following, without limitation by reason of enumeration:

- (a) the relationship between the management agent and the applicant, including any identity of interest, personal or family relationships, other property management relationships, and any other relationships, whether presently or previously existing;
- (b) a description of the management agent's previous management experience with housing projects owned by the applicant and other property owners;
- (c) a description of the proposed housing project including the building type or types, unit size information, proposed project location, project site and neighborhood characteristics, rent subsidies or assistance available, limitations or emphasis as to tenancy consistent with the tenant selection plan for the housing project, and other similar pertinent information;

(d) evaluation of the design of the proposed housing project in terms of problems presented to a management agent;

(e) a listing of the staff required to operate the proposed project by job title, job description, hours of work, and salary range;

(f) a description of the proposed marketing efforts during and after rent-up of the proposed housing project including the types, areas, and extent of advertising, proposal for the processing of applications before and after completion of the proposed project, the methods and forms to be used to verify eligibility, the methods to be used to select tenants, and submission of drafts of any documents to be used in the rent-up process;

(g) any rules and regulations to be attached to the lease;

(h) clearly defined proposals for extra charges for additional services and benefits including type of service, service provider, costs, etc.;

(i) proposed services to meet the health, welfare, and social needs of tenants in the proposed project;

(j) an evaluation of the proposed housing project with regard to energy conservation;

(k) an evaluation of the proposed housing project with regard to the security of said project and its tenants;

(l) a description of a maintenance and repair program to be conducted by the management agent including, without limitation, vermin extermination, trash removal, and routine, preventative, and cyclical maintenance;

(m) a statement setting forth the responsibility of the management agent for accounting systems, reports, and procedures;

(n) a statement concerning the responsibility of the management agent for the production of annual project budgets;

(o) a statement of the procedures of the management agent for the maintenance of books and records of the proposed housing project, including, without limitation, delineation of methods for recording rent subsidies, cash receipts, service fees, and disbursement; and

(p) a description of proposed procedures with regard to rent increases, lease defaults and evictions, and periodic inspection of the project.

(Effective January 27, 1986)

### **Sec. 8-248 D-7. Management agreement**

The management agreement shall set forth all of the terms, conditions, covenants, and agreements between the applicant and the management agent concerning the management of the proposed housing project. The management agreement shall not be effective until executed by the applicant and the management agent and approved by CHFA. The management agent shall acknowledge that it has reviewed and is familiar with the CHFA mortgage loan closing documents, any mortgage insurance or any subsidy benefiting the proposed housing project, and any federal or state statutes and regulations affecting the management agent's duties and responsibilities.

The management agent shall have the following duties and responsibilities, without limitation by reason of enumeration:

(a) advise and assist the applicant with respect to the renting of units within the housing project;

(b) act as a liaison between the applicant and the architect and general contractor for the proposed housing project;

(c) provide for the marketing activities described in the management plan;

(d) attend to the marketing and leasing of vacant units and to negotiation and preparation of all leases and other occupancy agreements for dwelling units, commercial space, parking space, and any other rentable space or facilities;

(e) determine, verify, and certify to the eligibility of prospective tenants and of existing tenants and conduct needs assessments when required by CHFA or any other state or federal agencies providing assistance to the housing project;

(f) collect, deposit, and disburse security deposits in accordance with the terms of each tenant's lease and in accordance with the requirements of law;

(g) maintain a current waiting list of prospective tenants;

(h) collect when due all rents, charges, and other amounts due the applicant as owner of the proposed housing project or otherwise related to the management and operation of the housing project and deposit and disburse such amounts in accordance with the requirements of law and the management agreement;

(i) enforce tenant leases with the assistance of the attorney or attorneys retained by the owner of the housing project;

(j) cause the housing project to be maintained in a good, safe, and sanitary condition;

(k) cause the housing project to be provided water, electricity, gas, fuel oil, sewage and trash disposal, vermin extermination, decorating, laundry facilities, telephone service, and other services, all in accordance with the management plan and the project operating budget approved by the owner of the project and CHFA;

(l) hire, pay on behalf of the owner, supervise, and, as necessary, discharge all personnel employed in the management of the housing project;

(m) pay on behalf of the owner the following: all amounts due CHFA and any other state or federal agencies providing assistance to the housing project, compensation to employees of the owner of said project and any other payments required in connection with the payment of such compensation, real estate taxes and assessments, fire and other insurance premiums, mortgage payments, utility charges, deposits into reserve funds and other escrows, and any other amounts due by the owner as operating expenses of the housing project, including the management agent's fee;

(n) prepare an annual operating budget for each fiscal year of the housing project at least sixty (60) days prior to the beginning of such fiscal year, which budget is subject to approval by the owner of the housing project and CHFA;

(o) prepare appropriate records and reports, including, without limitation by reason of enumeration, the following:

(1) an inventory of all furniture, equipment, tools, supplies, and fuel;

(2) an annual financial report for each fiscal year prepared by a certified public accountant selected by the owner of the project and acceptable to CHFA, which report shall be based upon a review of the books and records of the management agent and the owner of the project and submitted to the owner and CHFA within sixty (60) days after the end of each fiscal year or such longer time as CHFA may agree to in writing;

(3) reports on all income and expenses of the project comparing actual and budgeted figures for receipts and disbursements, which reports shall be submitted to the owner and CHFA as required;

(4) such reports as may be required under any agreements of the owner of the proposed housing project with CHFA or any other state or federal agencies assisting the project or requested by CHFA with respect to the financial, physical, or operational condition of said project;

(5) an aged, itemized list of all delinquent accounts, including past due rents as required by CHFA;

(p) as required by CHFA, deliver to the owner of the housing project and CHFA a statement of receipts and disbursements with a schedule of aged accounts receivable and payable and with bank statements and a reconciliation thereof for project accounts;

(q) prepare and submit, after approval by the owner of the housing project, all forms, reports, and returns required by law in connection with the employment of personnel, unemployment insurance, workmen's compensation insurance, disability insurance, social security, and other similar insurance;

(r) furnish and maintain at project expense for the term of the management agreement and thirty (30) days thereafter a blanket fidelity bond for the benefit of the owner of the housing project and CHFA in an amount not less than two (2) months' gross rent for all units of the housing project, which bond shall be in a form and with a company acceptable to the owner of said project and CHFA;

(s) obtain quotations on all contracts or purchases exceeding two thousand (\$2,000) dollars for any items or services obtainable from more than one source and credit the owner of the housing project with any discounts, rebates, or commissions in connection therewith;

(t) establish a grievance procedure satisfactory to CHFA;

(u) cause the insurance coverage required under the CHFA mortgage loan documents to be effected with companies approved by the owner of the housing project and by CHFA and furnish to the owner of the housing project and by CHFA reports of all accidents, claims, and potential claims relating to the housing project and cooperate with any insurers in connection therewith; and

(v) comply with applicable state and federal laws and regulations and any orders or other requirements of any agencies thereof, as part of its obligations under the management agreement.

(Effective January 27, 1986)

### **Sec. 8-248 D-8. Compensation of management agent**

(a) The management agent shall be compensated for performance of its responsibilities under the management agreement in amounts approved in advance by CHFA based on the following criteria:

(1) whether the housing project is a family or an elderly development;

(2) the number of family units and the number of elderly units in the housing project;

(3) the number of subsidized units and the number of non-subsidized units;

(4) whether the housing project is to be located on urban, suburban, or rural site; and

(5) whether the housing project is solely rental and if related facilities are provided.

(b) In consideration of such compensation, the management agent shall be responsible for the following:

(1) the cost of hiring, orienting, and supervising all personnel employed on behalf of the project;

(2) salary and related payroll costs (including transportation costs) of all personnel employed on behalf of the project except

(A) on-site management personnel approved in the management agreement and

(B) project maintenance and janitorial employees approved in the management plan;

(3) rent and utilities necessary to operate off-site offices, unless specified by CHFA;

(4) costs (including payroll and related expenses and computer service charges and administrative costs as defined by CHFA) necessary to prepare and maintain

(A) tenant applications, leases, and occupancy files,

(B) maintenance records, and

(C) financial and subsidy reports required under the management agreement and any subsidy contracts except the cost of certified annual financial statements and audits prepared by an independent CPA;

(5) payroll and related costs (including transportation costs) paid to supervisory management personnel;

(6) costs of required fidelity bonds or "employee dishonesty insurance" covering all employees other than on-site maintenance and janitorial personnel; and

(7) cost of purchasing or renting office equipment, supplies, stationery, forms, and postage charges except as approved by CHFA.

(Effective January 27, 1986)

**Sec. 8-248 D-9. Term of management agreement**

The term of a management agreement shall not exceed two (2) years.

(Effective November 3, 1981)

**Sec. 8-248 D-10. Replacement of management agent**

In the event of a change in the management agent for any housing project, no replacement management agent may be retained and no management agreement may be executed without the approval of CHFA. If any housing project financed by a CHFA multifamily mortgage loan is without a management agent approved by CHFA, CHFA may unilaterally appoint a management agent to perform as required by CHFA until such time as the owner of the housing project shall appoint a management agent approved by CHFA.

(Effective November 3, 1981)

**Sec. 8-248 D-11. Affirmative action**

Each mortgagor and its contractors, subcontractors, and management agents shall agree to comply with (a) federal and state executive orders, statutes, regulations, and other requirements of law relating to affirmative action and equal employment opportunity, including (without limitation by reason of enumeration) the requirements that section 4-114a of the General Statutes imposes on those who enter into contracts to which the state is a party, and (b) CHFA guidelines and goals established for each housing project financed by CHFA relating to equal employment opportunity, affirmative fair marketing, and other affirmative action.

(Effective November 3, 1981)

**Sec. 8-248 D-12. Assurance of completion**

CHFA shall require a mortgagor or its contractor to provide a performance bond, a letter of credit, or other security satisfactory to CHFA to insure completion of the housing project. In establishing the type, duration, and amount of acceptable security, CHFA shall consider project cost, developer performance record, the number of units or stories, the time for construction, and other pertinent factors.

(Effective November 3, 1981)

**Sec. 8-248 D-13. Return on equity**

(a) The mortgagor's equity in a project shall consist of the difference between the amount of the CHFA loan and the total project cost, whether or not such cost has been paid in cash or in a form other than cash.

(b) A loan to a mortgagor, other than a nonprofit corporation having as one of its purposes the construction or rehabilitation of housing, shall be subject to an agreement between CHFA and the mortgagor limiting the mortgagor, and its principals or stockholders, to a return on the mortgagor's equity in any project assisted with a loan from CHFA.

(Effective August 24, 1987)

**Sec. 8-248 D-14. Related facilities**

CHFA may provide financing for related facilities that are necessary, convenient, or desirable in providing safe and adequate housing financed by CHFA. By section 8-243 of the General Statutes, "related facilities" is defined to mean commercial, office, health, welfare, administrative, recreational, community, and service facilities incidental and pertinent to housing as determined by CHFA. If any related facility is to be leased, CHFA shall have the right to disapprove any proposed use, tenant, or provision of the lease.

(Effective November 3, 1981)

**E****Home Mortgage Program****Sec. 8-248 E-1. Home mortgage loans**

The home mortgage program finances acquisition or rehabilitation of existing or newly-constructed housing with no more than four living units, one of which is required to be occupied by the borrower.

(Effective January 27, 1986)

**Sec. 8-248 E-2. Participating lenders**

(a) A "participating lender" is a lending institution that cooperates with CHFA in making funds available under its home mortgage program by making mortgage loans that CHFA has agreed to purchase.

(b) To be approved by CHFA as a participating lender or a servicer of CHFA loans, a lending institution must meet the following criteria:

(1) have in Connecticut the capacity and personnel to originate and close mortgage loans;

(2) unless it is a FDIC or FSLIC insured deposit-taking institution incorporated and existing under the laws of Connecticut, have three (3) years experience in making mortgage loans on homes located in Connecticut in the regular course of its business;

(3) be a lender approved by the Federal Housing Administration and the Veterans Administration;

(4) have a minimum tangible net worth of \$500,000;

(5) be in compliance with applicable federal and state laws, regulations promulgated thereunder and any licensing requirements by agencies of government having jurisdiction; and

(6) execute the standard Master Commitment Agreement for Mortgage Purchases and, if the lending institution desires to service loans, the standard Home Mortgage Servicing Agreement.

(c) CHFA may remove from the list of approved participating lenders any lending institution that has (i) failed to commit and close mortgage loans in accordance with the Act, these regulations and the Master Commitment Agreement for Mortgage Purchases, or (ii) ceased to meet the criteria for becoming a participating lender. CHFA may terminate the Master Commitment Agreement for Mortgage Purchases and/or the Home Mortgage Servicing Agreement in accordance with the provisions thereof.

(d) Participating lenders shall not restrict applications for loans to any segment of the home mortgage program, except that a participating lender need not accept applications for rehabilitation mortgage loans and need not accept applications for mortgage loans on homes located outside its normal geographic lending areas.

(Effective January 27, 1986)

### **Sec. 8-248 E-3.**

Repealed, January 27, 1986.

### **Sec. 8-248 E-3a. Distribution of mortgage money**

(a) CHFA may elect to make mortgage money available through participating lenders in the state. CHFA will not issue separate allocations to any particular participating lenders. CHFA shall notify all participating lenders by mail when mortgage money is available.

(b) Prior to an allocation of funds, CHFA will establish a date after which loan reservation requests may be accepted. Participating lenders shall not establish interview lists for loan applications and shall not accept applications for funds prior to the date set by CHFA. CHFA will not accept reservations for funds prior to such date.

(c) Mortgage money may be reserved by a participating lender for a prospective borrower only after the prospective borrower has entered into a written sales agreement covering the property to be financed, a copy of which agreement shall be supplied to the participating lender, and has shown evidence of income by supplying a copy of the federal income tax return most recently filed by the prospective borrower, unless he has not been required to file such return. Such reservation of funds not committed within four (4) months of the date of reservation shall be cancelled and of no further effect unless extended by CHFA.

(d) Participating lenders shall take and process applications from prospective borrowers on a "first-come, first-served" basis, unless otherwise directed by CHFA. No preference may be shown an applicant, at any stage of the process, on account of the latter's relationship with particular brokers or developers, his membership in certain groups or organizations, or his status as a depositor, customer or employee of the participating lender.

(e) Prior to each allocation of funds, CHFA shall notify the participating lenders of the procedures to be followed in reserving funds for prospective borrowers. CHFA will accept only those reservations made in accordance with announced procedures.

(f) Notwithstanding any of the above provisions, CHFA reserves the right to use lotteries or similar devices in the allocation or reservation of funds whenever, in its sole discretion, it determines that such a step is necessary for an equitable distribution of funds. CHFA further reserves the right to accept funds reservations directly from prospective borrowers.

(g) CHFA reserves the right to hold back a portion of any bond issue for use in special programs, in furtherance of its goals in providing financing for owner-occupied one- to four-family housing. CHFA may limit participation in such special

programs to certain designated lenders or may itself administer loans made thereunder.

(Effective January 27, 1986)

#### **Sec. 8-248 E-4. Commitments for mortgage purchase**

(a) A participating lender shall submit each mortgage loan application approved by it to CHFA with all information and documents required to comply with the rules and regulations of the commissioner of banking, the mortgage insurer or guarantor, and the Home Mortgage Programs Operating Manual. Such submission shall be made as soon as is reasonably possible after the collection of all required documentation, including the commitment for mortgage insurance or guaranty. A commitment to purchase a CHFA mortgage loan shall be sent to a participating lender after a mortgage loan application submitted by such lender to CHFA has been approved. Such a commitment is effective only for the period designated therein, unless extended in writing by CHFA. CHFA has sole discretion as to the granting of extensions. Loans are purchased by CHFA in accordance with such commitment and pursuant to Section 8-248 E-30 of these regulations.

(b) CHFA reserves the right to place such special conditions on commitments as it deems necessary to ensure compliance with these regulations and with federal law or regulations. Participating lenders are responsible for closing loans in compliance with any such conditions as may apply.

(c) Requests for extension or cancellation of a commitment shall be in writing and signed by a mortgage officer or other authorized representative of the participating lender. Participating lenders shall promptly notify CHFA in writing of cancellations.

(d) The substitution of property for which funds have been reserved, either before or after the issuance of a commitment, shall be permitted only with the written consent of CHFA. The granting of such consent is within the sole discretion of CHFA and will be made only upon a showing of substantial hardship, not known to or reasonably foreseeable by the borrower at the time of application. No substitution of borrower shall be permitted at any time. CHFA may decline to reserve funds for an applicant who has other CHFA funds reserved.

(e) An application to CHFA for a commitment to purchase a CHFA mortgage loan may be resubmitted only once after having been rejected. Different CHFA staff members authorized to review mortgage loans shall review the submission and any resubmission of an application.

(Effective January 27, 1986)

#### **Sec. 8-248 E-5. Eligible borrowers**

An applicant shall be eligible for a CHFA mortgage loan if the applicant

(a) has aggregate family income at an annualized rate at the time of application at or below the applicable income limit in effect at the time of application or is purchasing residential property in one of the legislatively defined urban areas pursuant to Section 8-248 E-9 of these regulations;

(b) agrees to occupy and use the residential property to be purchased or rehabilitated for a permanent, primary residence within sixty (60) days of the closing of the mortgage loan;

(c) possesses the legal capacity to incur the obligations of the CHFA mortgage loan;

(d) possesses the ability, as determined by CHFA, to repay the CHFA mortgage loan;

(e) contracts to purchase or rehabilitate property which qualifies as an eligible dwelling under Section 8-248 E-15 of these regulations;

(f) has not, at any time during the three years preceding the date of application for the mortgage loan, had a present ownership interest (as defined by the Home Mortgage Programs Operating Manual) in his principal residence. This requirement does not apply to loans on properties located in targeted areas as designated by CHFA or to loans made to prior homeowners as permitted by Federal Law; and

(g) is not using the proceeds of the CHFA mortgage to refinance an existing mortgage on the property (except in the case of a qualified rehabilitation loan) or to finance the acquisition of the remaining interest in a property in which a partial interest already is owned. The use of the loan proceeds to refinance an existing mortgage is permitted if the prior mortgage is a construction period loan or other temporary financing with a period of twenty-four (24) months or less, or if it is on unimproved land on which a dwelling is to be constructed and is to be paid prior to the closing of the CHFA mortgage loan, which latter loan does not exceed the cost of construction.

(Effective January 27, 1986)

### **Sec. 8-248 E-6. Occupancy**

(a) Owner-occupancy is a condition of CHFA home mortgage loans. As a part of the application process, each applicant for a CHFA home mortgage loan shall sign a certificate on a form provided by CHFA, attesting to applicant's intent to live in the housing to be financed. At the closing of such loan, each borrower shall execute a CHFA Owner-Occupancy Certificate attesting that the housing to be financed is being purchased as the permanent primary residence of the borrower. The borrower shall occupy the housing within sixty (60) days of the closing. No later than sixty (60) days after the closing of a loan, the participating lender shall verify owner-occupancy by means of a physical inspection of the mortgaged property.

(b) Extensions of the deadline for taking occupancy may be granted by CHFA, in its sole discretion, upon a showing of good cause therefor. No extension shall be granted if, prior to closing, the borrower knew or had reason to know of the barrier to occupancy.

(c) CHFA shall declare the failure to occupy to be a default of the mortgage loan and may pursue all remedies available under the note and mortgage, the CHFA Owner-Occupancy Certificate, or otherwise available at law or in equity, if during the period of sixty (60) days from the closing the borrower does not occupy the mortgaged housing as a permanent primary residence, unless CHFA has extended the time for occupancy.

(d) No tenant selection plan shall be required of borrowers in connection with CHFA home mortgage loans.

(Effective January 27, 1986)

### **Sec. 8-248 E-7. Credit review**

Participating lenders shall be responsible for evaluating the credit of applicants for CHFA mortgage loans.

In determining whether or not an applicant meets CHFA income limitations, where applicable, an applicant's aggregate family income shall be computed by including the elements discussed herein.

(a) An applicant's aggregate family income shall include income from whatever source derived, including without limitation, regular earnings; part-time earnings;

unemployment compensation; bonuses; overtime income, whether or not guaranteed by an employer; dividends; interest (except on funds which will be used for downpayment and closing costs); commissions; military allowances; welfare payments; disability payments; pension, annuity, retirement, and social security benefits; and reimbursement for services in military reserve or National Guard. CHFA may at its option exclude overtime income where it deems such income to be of short duration and of a temporary nature.

(b) Aggregate family income shall also include income from full or part-time employment of all proposed owner-occupants and all other non-dependent resident members of the family unit of the applicant. Income received prior to the date of the application shall not be included in aggregate family income if the member of the family unit who earned such income has not been employed for at least ninety (90) days prior to the application. The prior annualized income of said persons will be included in aggregate family income if said eligible borrower or occupant has been employed during the ninety (90) days prior to the date of application.

(c) Aggregate family income, for purposes of determining compliance with the applicable income limit, shall include one hundred (100%) percent of the anticipated fair market income from rental units in a two to four unit eligible dwelling to be purchased by the applicant with the assistance of the CHFA mortgage loan. For underwriting purposes, fifty (50%) percent of such rental income shall be included in the applicant's total income.

(d) Aggregate family income shall also include alimony, child support, or maintenance payments only to the extent that they are likely to be consistently received. Factors to be considered in determining the likelihood of consistent payments include, but are not limited to, whether the payment are received pursuant to a written agreement or court decree, the length of time the payments have been received, the regularity of receipt, the availability of procedures to compel payment, whether full or partial payments have been made, the age of any child for who child support is to be paid, and the creditworthiness of the obligee, including the credit history of the obligee where available under the Fair Credit Reporting Act (section 1681 et seq. of title 15 of the United States Code) or other applicable laws. A participating lender shall submit to CHFA evidence adequate to support its determination.

(Effective January 27, 1986)

### **Sec. 8-248 E-8. Evidence of income**

Each applicant for a CHFA home mortgage loan shall provide copies of the three previous years' signed federal income tax returns (one year in the case of a loan in a targeted area or to a prior homeowner) and the three most recent pay stubs (if provided pursuant to section 31-13a of the General Statutes) of the applicant and all other non-dependent resident members of the family unit, unless CHFA agrees in writing to accept other evidence of income where no such return has been filed or no such pay stubs have been provided. The participating lender shall obtain income and employment verification from the applicant's employer.

In cases where an applicant is self-employed, or is one of the principal owners of a business, the applicant's schedule C from his most recent federal income tax return or the business' income tax return will be used, without adjustment, to determine income, self-employment or investment losses and employee expenses on Form 2106 will not be reflected for purposes of eligibility, but will be reflected for underwriting ratios.

(Effective January 27, 1986)

**Sec. 8-248 E-9. Urban area mortgages**

(a) Pursuant to the Act, CHFA may finance mortgage loans in certain legislatively designated urban areas of the state without regard to the borrower's income, but such loans may not be made by CHFA if otherwise available on "reasonable terms."

(b) This requirement that a loan not be otherwise available on reasonable terms will be deemed satisfied by an applicant provided that the applicant shows proof of refusal for a direct mortgage loan from not less than two financial institutions that are making residential mortgage loans in the area in which the housing is located, indicating that such refusal was for at least one of the following reasons:

(1) the applicant, according to the financial institution's regular lending guidelines, could not afford to make loan payments in the amount required by the financial institution's interest rate, including points;

(2) the applicant, according to the financial institution's regular lending guidelines, could not afford to make loan payments in the amount required by the financial institution's normal term of years for the mortgage loan; or

(3) the applicant, according to the financial institution's regular lending guidelines, could not meet the financial institution's downpayment requirement.

(c) The refusal should reflect the lending institution's least restrictive terms. In the case of a one-year variable loan with a low initial interest rate, however, the refusal may reflect the interest rate implied by the underlying formula for establishing the interest rate in future years. The refusal must be based on a loan amount that reflects the application of the full amount available for downpayment.

(d) The proof of refusal shall be substantially in the form prescribed by CHFA. The proof of refusal shall include the name of the lending institution, the terms on which the lending institutions would make the loan sought by the applicant, and a statement that the lending institution would decline to extend such a loan to the applicant. The proof of refusal shall be signed by a person authorized to act for the lending institution.

(Effective January 27, 1986)

**Sec. 8-248 E-10. Family size**

The family unit of an applicant for a CHFA mortgage loan shall include all proposed owner-occupants and all other proposed residents who are related to them. The intended spouse of an applicant engaged to be married will be considered part of the family unit regardless of the proposed marriage date. A borrower who is divorced shall submit a copy of the decree of dissolution of marriage as proof of such status. A borrower who is separated from a spouse will be treated for income limit purposes as being married, unless such borrower submits evidence of separation for more than three years or a judicial decree of separation dated prior to the date of application.

(Effective January 27, 1986)

**Sec. 8-248 E-11. Disposal of other residential property**

Any real estate that is owned by the borrower and used by the borrower as a residence and that will not be security for a proposed mortgage loan to the borrower shall be disposed of or under bona fide contract for sale before the closing on such loan. In cases where a borrower, such as in a federally approved target area, is in the process of selling such residential property or has sold it during the six months prior to the date of application for the loan, the borrower shall apply the equity proceeds from that sale as a downpayment on the eligible dwelling. The borrower may deduct payoff of the present first mortgage, payoff of other mortgages recorded

at least one year, real estate commissions and reasonable closing costs on the home being sold in determining equity proceeds.

(Effective January 27, 1986)

**Sec. 8-248 E-12. Determination by participating lender**

The qualification of an applicant as a borrower shall be determined by each participating lender subject to review by CHFA. A participating lender shall review each application form and related submissions to determine their completeness in accordance with the terms of the Act and these regulations. Reasonable efforts shall be undertaken to verify information given in such application.

(Effective November 3, 1981)

**Sec. 8-248 E-13. Denial caveat**

A participating lender shall not deny a CHFA mortgage loan to a borrower because the borrower is not a depositor or customer of the participating lender. A participating lender shall not deny a CHFA mortgage loan to a borrower because the borrower is not a member of a particular group that such lender desires to favor or is a member of a particular group that such lender desires to exclude.

(Effective November 3, 1981)

**Sec. 8-248 E-14. Multiple loans**

A borrower may not have more than one outstanding CHFA mortgage loan, including a CHFA mortgage loan that has been assumed by another borrower. A commitment for a borrower who already has a CHFA mortgage loan shall contain, as a special condition, the payment in full of the prior loan.

(Effective January 27, 1986)

**Sec. 8-248 E-15. Qualification as an eligible dwelling**

(a) A CHFA mortgage loan shall be made only to finance the acquisition or rehabilitation of an eligible dwelling. An eligible dwelling is one that is located in the state, is structurally and functionally sound, meets all applicable zoning, building, health, and similar codes and requirements, and has a purchase price not in excess of any limits set by CHFA. A permanent certificate of occupancy shall have been issued for each eligible dwelling. An eligible dwelling may be a building consisting of one to four family dwelling units or may be an owner-occupied unit of a multi-unit complex such as a condominium, a planned unit development, etc., provided that such multi-unit complex has received CHFA's prior approval. A house that is an eligible dwelling may not be located on more than 2.1 acres of land, unless a written waiver has been granted by CHFA, and may not provide, other than incidentally, a source of income to the borrower. The participating lender shall make a preliminary determination as to whether a dwelling as to which a CHFA mortgage loan is requested is an eligible dwelling.

(b) The sales contract for a newly-constructed house (one which was not occupied prior to the CHFA loan commitment) or a house to be constructed must provide for insulation of at least R30 in the ceiling and R11 in the walls (R38 in the ceiling and R19 in the walls and floors in the case of electric heat) and for double-glazed windows with wood or other thermal break (or storm windows in lieu thereof). If necessary, an amendment to the sales contract to provide for these will be required.

(Effective January 27, 1986)

**Sec. 8-248 E-16. Minimum down payments**

The minimum downpayment required in the case of CHFA mortgage loans insured by private mortgage insurance (“PMI”) shall be five (5) percent, unless approved by resolution adopted at a regular or special meeting. The minimum downpayment required in the case of CHFA mortgage loans insured by FHA or guaranteed by VA shall be such down payment, if any, required from time to time by FHA or VA. Downpayments in excess of the minimums may be required by CHFA in cases where the borrower has equity from the sale of other housing or where the loan must be reduced to a level consistent with the borrower’s ability to repay the loan or where the loan must be reduced to meet the insurer’s maximum.

(Effective January 27, 1986)

**Sec. 8-248 E-17. Income and sales price limits**

(a) CHFA shall adopt income limits for borrowers in order to carry out the policies and purposes of the Act, subject, however, to the provisions of section 8-248 E-9 of these regulations. CHFA shall adopt income limits for each county in the state that vary with the size of the household to occupy the housing to be financed, except that income limits for households of three (3) persons shall also be applicable for smaller households and the income limits for households of seven (7) persons shall also be applicable for larger households. The income limits applicable to a particular borrower is the one for the appropriate household size in the county in which the housing to be financed is located. In no event shall such income limits exceed the products, rounded to the nearest one hundred (100) dollar multiple, arrived at by multiplying one hundred thirty (130) percent by the following:

(1) for Fairfield County, the average of the median family income established from time to time by the United States Department of Housing and Urban Development (“HUD”) for the federal Bridgeport-Milford, Danbury, Norwalk, and Stamford primary metropolitan statistical areas;

(2) for New Haven County, the average of the median family income for the federal New Haven-Meriden and Waterbury metropolitan statistical areas;

(3) for New London County, the median family income for the federal New London-Norwich metropolitan statistical area;

(4) for Hartford and Tolland Counties, the median family income for the federal Hartford primary metropolitan statistical area;

(5) for each other county in Connecticut, the median family income for the federal non-metropolitan county parts for the particular county.

(b) CHFA shall adopt sales price limits for mortgaged premises to carry out the policies and purposes of the Act. CHFA shall adopt sales price limits for each county in the state. In no event shall any sales price limit exceed the amount which would cause CHFA’s bonds to be taxable under the Mortgage Subsidy Bond Tax Act of 1980. In no event shall such sales price limits exceed the products, rounded to the nearest one hundred (100) dollar multiple, arrived at by multiplying four (4) by the following:

(1) for Fairfield County, the average of the median family income figures published from time to time by HUD (“MFI”) for the federal Bridgeport-Milford, Danbury, Norwalk, and Stamford primary metropolitan statistical areas;

(2) for New Haven County, the average of the MFI’s for the federal New Haven-Meriden and Waterbury metropolitan statistical areas;

(3) for New London County, the MFI for the federal New London-Norwich metropolitan statistical area;

(4) for Hartford and Tolland Counties, the MFI for the federal Hartford primary metropolitan statistical area;

(5) for each other county in Connecticut the MFI for the federal non-metropolitan county parts for the particular county.

(c) Anything above to the contrary notwithstanding, CHFA may adopt income limits and sales price limits on a basis different than is provided in subsections (a) and (b) above, in compliance with Section 143 of the Internal Revenue Code of 1986, as follows:

(1) CHFA shall adopt income limits for borrowers in order to carry out the policies and purposes of the act.

(A) The household income of the mortgagor shall not exceed 115 percent of the applicable median income, unless in a Targeted Area.

(B) In the case of any financing provided under any bond issue for targeted area residents:

(i) One-third of the amount of such financing may be provided without regard to subparagraph (A), and

(ii) Subparagraph (A) shall be treated as satisfied with respect to the remainder of the financing if the household income of the mortgagor is 140 percent or less of the applicable median family income.

(C) For purposes of this subsection the term “applicable median income” means, with respect to a dwelling, whichever of the following is greater:

(i) The area median gross income for the area in which such dwelling is located, or

(ii) The statewide median gross income.

(2) CHFA shall adopt sales price limits for mortgaged premises to carry out the policies and purposes of the act.

(A) The acquisition cost of a dwelling shall not exceed 90 percent of the average area purchase price applicable to such dwelling, unless in a Targeted Area.

(B) For purposes of subparagraph (A) the term “average area purchase price” means, with respect to any dwelling, the average area purchase price of single family dwellings (in the federal statistical area in which the dwelling is located) which were purchased during the most recent 12-month period for which sufficient statistical information is available.

(C) For purposes of this subsection, the determination of average area purchase price shall be made separately with respect to:

(i) Dwellings which have not been previously occupied, and

(ii) dwellings which have been previously occupied.

(D) In the case of a Targeted Area residence, subparagraph (A) shall be applied by substituting “110 percent” for “90 percent”

(d) Such income limits and sales price limits shall be adopted, and as necessary changed, by resolution adopted at a regular or special meeting.

(Effective June 24, 1988)

### **Sec. 8-248 E-18. Computation of sales price**

(a) The sales price of an eligible dwelling as established in an arm’s length transaction shall not exceed the applicable sales price limit established by CHFA and in effect at the time of the application. The sales price of an eligible dwelling shall include all amounts paid, either in cash or in kind, by the buyer (or by another party acting on behalf of the buyer) to the seller (or to another party for the benefit of the seller). The buyer’s closing costs to be paid by the seller are to be subtracted from the selling price shown on the real estate sales contract.

(b) The following items shall be included in the computation of the sales price of an eligible dwelling:

(1) the reasonable costs of completing the eligible dwelling, whether or not such costs are to be financed with the proceeds of the mortgage loan, if the eligible dwelling is incomplete at the time of closing and the builder does not normally sell similar incomplete homes;

(2) the capitalized value of the ground rent, for an eligible dwelling subject to a ground rent, which value shall be calculated using a discount rate equal to the yield on the CHFA bonds from which the loan proceeds were derived; and

(3) the cost of the land on which the eligible dwelling is located, if such land had been owned by the borrower prior to the construction of the eligible dwelling.

(c) Participating lenders shall obtain appraisals of all properties for which CHFA loans are requested. Said appraisals shall be on forms required by the mortgage insurer or guarantor, shall be made by appraisers acceptable to CHFA, and, except for those on condominium units, shall be accompanied by the CHFA Supplement to Appraisal. Appraisal reports shall be submitted to CHFA together with other loan documents.

(d) The value of property as reported in an appraisal shall be that which the property would bring in a bona fide, arm's-length transaction between well-informed/advised parties acting in their own best interests, assuming reasonable market exposure for the property and payment in cash or by means of typical financing terms. If an appraisal indicates that a property is in need of repairs, a recertification by the appraiser will be required prior to the closing of the loan. Such recertification shall state that either the necessary repairs have been made or that an escrow has been set up.

(e) As part of the Borrower Affidavit submitted to CHFA, the participating lender shall include an Acquisition Cost Worksheet completed by the borrower. Such worksheet, on a form supplied by CHFA, shall set forth in detail the sales (acquisition) price of the eligible dwelling, as computed in accordance with these regulations. A Seller Affidavit, required from all sellers, shall contain the seller's certification as to the sales (acquisition) price of an eligible dwelling.

(f) At the closing of each loan, the participating lender shall certify to CHFA that the sales (acquisition) price of the property is not in excess of the applicable sales price limit. Such certification shall be based on the lender's review of the Acquisition Cost Worksheet, Seller Affidavit and other relevant documentation, and shall be made as part of the Participating Lender Mortgage Loan Closing Certificate.

(g) CHFA may at its option reject an application for a CHFA mortgage loan to finance the purchase of an eligible dwelling where the appraised value exceeds the applicable sales price limit by more than five (5) percent.

(h) Notwithstanding any of the above, CHFA reserves the right to require an independent appraisal if, in its sole discretion, it determines that doing so is necessary to ascertain whether the property in question qualifies as an eligible dwelling.

(i) Surveys are not needed unless required by mortgage insurers/guarantors or CHFA. A participating lender shall promptly notify CHFA upon discovery of any state of facts which, from the standpoint of a prudent lender, may indicate the need for a survey of the property in question.

(Effective January 27, 1986)

### **Sec. 8-248 E-19. Eligible condominiums**

CHFA mortgage loans may be made to finance the acquisition of any unit in the following classes of condominium units:

(a) any unit not part of a conversion condominium, or any unit in a conversion condominium if the building containing any such unit had been vacant for at least one year prior to the date of conversion and the building was substantially rehabilitated in connection with the conversion.

(b) any unit in a condominium converted prior to January 1, 1986;

(c) any unit in a condominium converted on or after January 1, 1986, if the applicant for a CHFA mortgage loan is a tenant seeking to buy the unit that the tenant has rented for at least one year prior to the date of the statutory notice of intent to convert to a condominium and that the tenant will continue to occupy as an owner.

(Effective December 19, 1986)

### **Sec. 8-248 E-20. Prior approval of condominiums**

No participating lender shall submit to CHFA an application for a CHFA mortgage loan on a unit in a condominium until the condominium has been approved in writing by CHFA. A request for approval of a condominium by CHFA shall be in writing and shall include the following:

(a) appraisals of each unit type and of the entire condominium,

(b) evidence of valid creation and existence of the condominium and the association of unit owners in the form of an attorney's opinion letter,

(c) the current public offering statement of the declarant,

(d) the declaration of condominium, including the by-laws of the unit owners' association, survey, floor plans and all exhibits and schedules,

(e) current photographs of the condominium property,

(f) statistics on the number of units conveyed and the number of unconveyed units that are vacant, and

(g) evidence of adequate reserve funds of the unit owners' association.

(Effective November 3, 1981)

### **Sec. 8-248 E-21. Maximum number of units financed**

Upon approval of a multi-unit complex (such as a condominium, a planned unit development, etc.), CHFA will determine the number of units that will be eligible for CHFA mortgage loans. CHFA shall not hold CHFA mortgage loans on more than fifty (50) percent of the units in any multi-unit complex, and at least fifty (50) percent of the units shall be sold or under bona fide contract of sale prior to CHFA's purchase of any CHFA mortgage loan on a unit, unless otherwise approved by resolution at a regular or special meeting.

(Effective January 27, 1986)

### **Sec. 8-248 E-22.**

Repealed, January 27, 1986.

### **Sec. 8-248 E-22a. Detached single family houses in a multi-unit complex**

Detached single family houses in a multi-unit complex shall be considered on the same basis as any single family houses not part of multi-unit complexes.

(Effective January 27, 1986)

### **Sec. 8-248 E-23. Leasehold interests**

The following requirements shall apply where a CHFA mortgage loan is secured by a mortgage on a leasehold interest:

(a) the lease shall be in full force and effect;

(b) the notice of lease shall be recorded on the land records of the town in which the leased property is located;

(c) the term of the lease may not terminate earlier than that number of years beyond the maturity date of the CHFA mortgage loan as is equal to the number of years remaining to maturity; and

(d) the lease shall be in a form acceptable to the participating lender and CHFA; it shall provide that the lessee may mortgage the leasehold estate, and that the lease may not be terminated for a lessee's default unless the mortgage receives from the lessor written notice of, and reasonable opportunity to cure, such default.

(Effective November 3, 1981)

**Sec. 8-248 E-24. Mortgage insurance or guaranty**

(a) Each CHFA mortgage loan application submitted to CHFA by a participating lender shall be accompanied by a commitment for mortgage insurance or guaranty.

(b) Mortgage insurance or guaranty or a firm commitment shall be in effect at the time CHFA purchases a CHFA mortgage loan, and CHFA shall be named as the insured or guaranteed mortgagee. Such insurance or guaranty shall remain in effect for the life of the loan.

(c) CHFA may, under circumstances approved by resolution adopted at a regular or special meeting, permit a mortgage loan to be insured by private mortgage insurers ("PMI") from companies licensed to do business within the state. PMI shall be in the minimum amounts set forth below.

(1) If the ratio of the CHFA mortgage loan to value of the mortgaged premises is over ninety (90) percent, the PMI coverage shall not be less than the first twenty five (25) percent of the CHFA mortgage loan.

(2) If the ratio of the CHFA mortgage loan to value of the mortgaged premises is over eighty (80) percent and less than or equal to ninety (90) percent, the PMI coverage shall not be less than the first twenty (20) percent of the CHFA mortgage loan.

(3) If the ratio of the CHFA mortgage loan to value of the mortgaged premises is less than or equal to eighty (80) percent, the PMI coverage shall not be less than the first twelve (12) percent of the CHFA mortgage loan.

(d) The issuance of a commitment for mortgage insurance or guaranty shall not obligate CHFA to issue a loan commitment for the application.

(Effective January 27, 1986)

**Sec. 8-248 E-25. FHA-insured and VA-guaranteed mortgage loans**

CHFA mortgage loans may be insured by the Federal Housing Administration ("FHA") insurance or the Veterans Administration ("VA") guarantees on newly constructed or existing eligible dwellings.

Each FHA insured or VA guaranteed loan may be insured or guaranteed under one of the following programs:

- (a) FHA Section 203 (b) or (i); Home Unsubsidized,
- (b) FHA Section 213: Cooperative Financing,
- (c) FHA Section 221 (d) (2): Low and Moderate Income,
- (d) FHA Section 222: Servicemen,
- (e) FHA Section 233: Experimental Housing,
- (f) FHA Section 234: Individual Condominium Unit,
- (g) FHA Section 235: Lower Income (Interest Subsidy),
- (h) FHA Section 237: Special Credit Risks,
- (i) FHA Section 245: Graduated Payment Mortgages,

- (j) FHA Section 745: Direct Endorsements,
- (k) FHA Section 809: Armed Services Civilian Employees,
- (l) FHA Section 810: Armed Services Housing, or
- (m) VA - Chapter 37, Title 38, U.S. Code (which includes section 501 of the Servicemen's Readjustment Act of 1944, as amended).

CHFA mortgage loans may be insured under any other FHA insurance program with the prior written approval of CHFA.

VA guaranteed loans shall not exceed the reasonable value of the property as established by a certificate of reasonable value issued by the VA.

The VA guaranty together with the downpayment (based on the lower of cost or value) shall not be less than twenty-five (25) percent of the lower of cost or value of the mortgaged premises.

(Effective August 24, 1987)

### **Sec. 8-248 E-26. Mortgage insurance coverage**

The term of all mortgage insurance or guarantees with respect to CHFA mortgage loans shall not expire prior to the payment in full of said loan. Any mortgage insurance or guarantee shall be in full force and effect as of the closing date of the CHFA mortgage loan insured or guaranteed, and such insurance or guarantee shall name CHFA as the insured or the beneficiary of the guarantee.

A private mortgage insurer shall not charge a commission, fee, or other compensation for providing mortgage insurance other than premiums at the rate or rates filed with the Insurance Commissioner.

(Effective November 3, 1981)

### **Sec. 8-248 E-27. Terms and conditions of CHFA mortgage loans**

(a) Each CHFA mortgage loan shall be secured by a valid first lien on the mortgaged property. Such property shall be free and clear of all prior encumbrances and liens except as approved by CHFA, and no rights may be outstanding that could give rise to such prior liens.

(b) The mortgage note, deed, and any other instruments securing a CHFA mortgage loan shall create, legal, valid, and binding obligations of the borrower, enforceable in accordance with their terms, free from any right of set-off, counterclaim, or other claim or defense. Co-signors or guarantors are not permitted on a mortgage loan.

(c) The original term of a CHFA mortgage loan on a fee interest shall not exceed thirty (30) years. The original term of a CHFA mortgage loan on a leasehold interest shall not exceed thirty (30) years, and the term of the underlying lease shall not expire for at least such number of years beyond the maturity date of such loan as is equal to the number of years remaining to maturity.

(d) CHFA may require that mortgage loans be of the growing equity type. Under this type of mortgage the borrower is qualified under an initial monthly payment of principal and interest based on a 30-year term. During the term of the mortgage this monthly payment is increased at certain times with the entire payment increase applied to the principal balance on the loan so that the loan is fully paid in substantially less than 30 years. The note must show the monthly payment for each period of time during the term of the loan.

(e) The principal amount of each CHFA mortgage loan shall be a multiple of one hundred (100) dollars and shall be advanced at the time of closing. Such loan shall provide for monthly amortization payments, interest payable in arrears, with full repayment by maturity. Amortization shall commence within two (2) months

after closing. Monthly amortization payments shall be due on the first day of each month, and the final payment date shall be shown on the loan documents.

(f) A CHFA mortgage loan shall not provide for a prepayment penalty. Loans may provide for a late charge in an amount not to exceed four (4) percent on payments fifteen (15) days or more past due to cover the expenses attributable to the receipt of payment after the due date.

(g) Each CHFA mortgage shall provide for the monthly collection of escrow payments for real estate taxes, mortgage insurance premiums, and hazard insurance premiums, when required by the mortgage insurer, in addition to the monthly amortization payments. A participating lender shall pay interest on escrow deposits at a rate of not less than four (4) percent per annum, or such higher rate as required by statute.

(h) A CHFA mortgage shall obligate the borrower to keep the mortgaged premises in good repair and condition, keep the premises free from other liens and encumbrances, and maintain hazard insurance in accordance with the requirements set forth in Section 8-246 E-29 of these regulations.

(i) CHFA may require the mortgage and the mortgage note to be executed on forms provided by CHFA.

(j) All requirements of all federal and state laws, rules, and regulations now existing or hereafter adopted, applicable to mortgages and mortgage loan transactions, including without limitation truth-in-lending laws, fair credit reporting laws, equal opportunity laws, usury laws, and laws regulating interest due on escrow accounts, shall be complied with where applicable.

(Effective January 27, 1986)

### **Sec. 8-248 E-28. Title insurance**

(a) Each CHFA mortgage shall be insured by a mortgagee's title insurance policy which insures that CHFA has a good and valid mortgage on the mortgaged property. Such policy shall be issued in a form and by a title insurer licensed to do business in the State of Connecticut and must show recording data for the mortgage and the assignment thereof. The policy must be in an amount not less than the original principal balance of such loan. The named insured shall be named in the following form:

“(Participating lender) and/or Connecticut Housing Finance Authority, its successors and assigns, as their interests may appear.”

(b) Title insurance policy exceptions for agreements or restrictive covenants relating to cost, use, building lines, minimum size, building materials, architectural, aesthetic or similar matters (other than single-family use restrictions on two to four family properties) are acceptable to CHFA if:

(1) there is no possibility of reversion or forfeiture of title in the event of violation thereof, and the title policy insuring a CHFA mortgage affirmatively insures that a breach or violation of covenants, restrictions, agreements, and other encumbrances will not result in a forfeiture or reversion of title; and

(2) no violation of any such agreements or restrictive covenants exists as of the date of closing.

(c) The following title insurance policy exceptions shall be acceptable to CHFA:

(1) any mutual easement agreement recorded in the land records of the town within which the property is situated that establishes a joint driveway or a party wall, whether constructed partly or wholly on the mortgaged property or the adjoining property, but only if the easement agreement allows all present and future owners,

their heirs and assigns, unlimited use of the driveway or party wall without any restriction other than any restrictions stating the mutual easement owners' rights in common and duties as to joint maintenance;

(2) Encroachments on the mortgaged property by improvements on adjoining property, provided such encroachments do not extend more than one foot over the property line at any point, do not cover or enclose an area of greater than fifty (50) square feet on the mortgaged property, do not touch any building or any other improvement, and do not interfere with the use of the mortgaged property as a residence. An encroachment not meeting these standards will be acceptable to CHFA only if it is made the subject of an easement agreement; and

(3) liens for real estate or other taxes and assessments, including sewer or street-improvement caveats, no payments under which are due at the time of closing.

(Effective January 27, 1986)

### **Sec. 8-248 E-29. Hazard insurance coverage**

(a) Property subject to a CHFA mortgage loan shall be covered by hazard insurance as follows:

(1) Fire and customary extended coverage insurance in an amount sufficient to cover the outstanding principal balance of such loan or the full insurable value of the improvements on the mortgaged property, whichever is less. The amount of coverage may not be less than the amount required by a mortgage insurer or guarantor nor be required to exceed the maximum amount permitted by applicable statutes.

(2) A participating lender shall be responsible for and shall be deemed to guarantee compliance with the provisions of the Flood Disaster Protection Act of 1973, whenever such provisions are applicable to any CHFA mortgage loan. If mortgaged property is located in an area having special flood hazards, as identified by the Secretary of Housing and Urban Development, flood insurance shall be maintained in the amount of the outstanding principal balance of the CHFA mortgage loan or the maximum limit of the coverage available under the National Flood Insurance Act of 1968, as amended, whichever is less.

(3) Hazard insurance policies may provide for a deductible up to the amount of one hundred (100) dollars for each event of loss, applicable to either fire or extended coverage or both.

(4) Each hazard insurance policy shall be issued by a hazard insurance carrier licensed to do business in Connecticut.

(5) Hazard insurance shall be in effect on the closing date of a CHFA mortgage loan and the premium therefore shall be paid in advance for a full year from the closing date.

(6) The participating lender shall notify CHFA whenever the provisions of this section are not complied with.

(b) Insurance policy requirements are as follows:

(1) All policies of hazard insurance shall contain a mortgagee clause naming "Connecticut Housing Finance Authority and/or its successors and assigns, as their interests may appear" as the loss payee.

(2) All policies of hazard insurance shall provide that the insurance carrier will provide written notice to CHFA at least ten (10) days in advance of the effective date of any change or cancellation of a policy.

(3) A participating lender shall give any notices necessary to fully protect the interest of CHFA as first lienholder under the terms of any insurance policy under which CHFA has an interest and under applicable law.

(c) Insurance policies shall not be accepted by a participating lender or CHFA if:

(1) under the terms of the insurance carrier's charter, bylaws or policy, contributions may be required to be made by, or assessments be made against, CHFA or its assigns; or

(2) contributions may be required to be made by, or assessments made against, a borrower, which may become a lien against property prior to the lien of a CHFA mortgage; or

(3) by the terms of the insurance carrier's charter, bylaws, or policy, loss payments are contingent upon action by such carrier's board of directors, policyholders, or members; or

(4) the insurance policy includes any limiting conditions that may prevent CHFA or the borrower from collecting insurance proceeds payable under the policy.

(Effective January 27, 1986)

**Sec. 8-248 E-30. Loan purchase**

(a) Participating lenders shall verify that all CHFA mortgage loan documents are properly executed by the named borrowers and are correct as to property location, principal amount, interest rate and maturity date.

(b) Participating lenders shall determine the amount of monthly escrow payments with respect to each CHFA mortgage loan and make arrangements for the establishment of an escrow account with the servicer, if the servicing is not to be done by the participating lender. The participating lender or other servicer shall reserve or escrow amounts estimated to be sufficient to pay all escrow items by their respective due dates.

(c) Participating lenders, or other servicers, shall escrow for real estate taxes, mortgage insurance premiums, and hazard insurance premiums (when hazard insurance premiums are required to be escrowed by the mortgage insurer or guarantor).

(d) All fees collected by a participating lender from a borrower or from the seller of property to such borrower, including without limitation application fees and processing fees, shall not in their aggregate exceed one (1) percent of the mortgage amount, except as set forth in paragraph (e) hereof.

(e) A participating lender may recover certain expenses incurred in processing and closing a CHFA mortgage loan application in an amount not to exceed actual cost and not in excess of the maximum amount permitted by the mortgage insurer or guarantor. Such expenses include cash expenditure to pay for outside services rendered, such as appraisals, surveys, legal representation, credit reports, and other items approved in writing by CHFA.

(f) CHFA may transfer funds to a participating lender from whom a CHFA mortgage loan has been purchased prior to the receipt and acceptance of all required loan documents, subject, however, to the provisions set forth in paragraph (h) hereof.

(g) Not later than one hundred twenty (120) days after the closing of a CHFA mortgage loan, the participating lender shall forward the complete loan purchase package to CHFA containing all documents required by the Home Mortgage Programs Operating Manual and the Master Commitment Agreement for Mortgage Purchases. Extensions may be granted by CHFA, in its sole discretion, only upon written request from the participating lender. CHFA may require the repurchase of any loan if its loan purchase package is not received within 120 days after the closing and no extension has been granted. A participating lender's responsibility to submit a loan purchase package will not be relieved by the fact that a different lender will be handling the servicing of the loan in question.

(h) If a participating lender fails to correct or complete documentation for any CHFA mortgage loan within sixty (60) days of the first request therefor or if there is any other breach of the terms of any agreement concerning mortgage purchases between CHFA and the lender, the mortgage may be reassigned to the lender. If funds have been advanced by CHFA to a lender for the purchase of a mortgage, the lender shall repurchase the mortgage and otherwise comply with the terms of any such agreement with CHFA.

(Effective January 27, 1986)

**Sec. 8-248 E-31. Loan servicing**

Participating lenders which do not service CHFA mortgage loans shall deliver all documents and information concerning such loans not required to be submitted to CHFA after the closing of such loans to a servicer designated by CHFA, or if there is no designated servicer, to CHFA.

(Effective November 3, 1981)

**Sec. 8-248 E-32.**

Repealed, January 27, 1986.

**Sec. 8-248 E-32a. Assumptions**

(a) The standards for assumption of CHFA loans depend upon the type of mortgage insurance or guaranty used and the date upon which the loans were originally committed for purchase. These standards are as follows:

(1) loans committed prior to January 1, 1982:

(A) FHA-insured and VA-guaranteed loans may be assumed pursuant to applicable federal requirements, without the prior consent of CHFA. Servicers are responsible for ensuring compliance with such federal requirements. Following the assumption, the servicer shall furnish CHFA with copies of the recorded warranty deed and assumption agreement, as well as evidence of adequate hazard insurance coverage.

(B) PMI loans are assumable only with the prior written consent of CHFA. Both the property and the assuming buyer(s) must meet the standards for eligible borrowers/dwellings as are then in effect. In order to obtain CHFA's consent, the servicer shall forward a request for approval of assumption, on forms provided by CHFA, together with such underwriting documents as are set forth in the Home Mortgage Programs Operating Manual. Following the assumption, the servicer shall furnish CHFA with the original recorded assumption agreement, a copy of the warranty deed, an original Owner-Occupancy Certificate, executed by the assuming buyer(s), a PMI endorsement naming the assuming buyer(s), evidence of hazard insurance coverage, and the HUD Form 1 (RESPA).

(2) assumption of loans committed after January 1, 1982:

(A) The prior consent of CHFA is required for the assumption of all loans, regardless of the form of mortgage insurance or guaranty. Such consent may be granted only upon the property's and the assuming buyer's qualifying as an eligible dwelling and an eligible borrower, respectively, according to those standards in effect at the time. The servicer shall forward such documentation to CHFA as is required for approval of new loans.

(B) VA loans are assumable only if a copy of the Veteran's Consent Statement, as required by 36 CFR Sec. 36.4306 (a) & (e), is on file with CHFA. PMI loans require the assuming buyer(s) to obtain the PMI company's written approval of the assumption.

(C) Following the assumption, the servicer shall provide CHFA with such documentation as is required by the Home Mortgage Programs Operating Manual.

(b) The servicer may charge the assuming buyer a fee equal to one percent (1%) of the loan's outstanding principal balance at the time of the assumption, except for those loans which are assumable without CHFA's prior consent. In no event shall the fee charged exceed the maximum permitted by the mortgage insurer or guarantor.

(c) CHFA will not release any original borrower from liability following the assumption of a loan. Any provision to the contrary in an assumption agreement is void.

(Effective January 27, 1986)

**Sec. 8-248 E-33. Retention of records; inspection of books**

Any documents required by these regulations or by state or federal law in connection with the commitment to purchase, purchase, or servicing of a CHFA mortgage loan and not delivered to CHFA shall be retained by a participating lender for at least two (2) years after the date of purchase by CHFA of the mortgage loan, or such longer period as may be required by law, and, if requested by CHFA, for a reasonable period thereafter. If during such retention time CHFA requests original or certified copies of such documents, the same shall be delivered to CHFA. Where appropriate, such documents may be kept on microfilm, microcard, or other similar photographic media.

Participating lenders shall make all records and books maintained in connection with CHFA mortgage loans available for inspection by CHFA upon request during reasonable business hours.

CHFA may, at its option, reconvey a mortgage loan to the participating lender that assigned said loan to CHFA if such lender has failed to retain documentation as required herein, and such lender shall pay to CHFA the unpaid principal balance, all accrued and unpaid interest, and any other amounts due.

(Effective November 3, 1981)

**Sec. 8-248 E-34. Records of declined applications**

Participating lenders shall maintain accurate records for each CHFA mortgage loan application which is declined. If any such records are requested by CHFA, they must be delivered promptly upon receipt of the request therefor.

(Effective November 3, 1981)