

*Regulations of Connecticut State Agencies*

TITLE 8. Zoning, Planning, Housing, Economic and Community Development and Human Resources

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*Agency*

**Public Works Commissioner**

*Subject*

**Home Ownership Program**

*Inclusive Sections*

**§§ 8-84-1—8-84-7**

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### **Home Ownership Program**

#### **Sec. 8-84-1. Definitions.**

As used in these regulations:

- (1) “Act” means part 3 of chapter 128 of the general statutes.
- (2) “Commissioner” means the public works commissioner.
- (3) “Correspondent” means any accredited loan agent appointed by the state to originate and service loans on its behalf.
- (4) “Family” refers to a cohesive social Unit consisting of two or more persons, usually related by blood or marriage, who have lived together in the past or who may customarily be expected to live together for a sustained future period, and whose incomes may be expected to be shared for purposes of meeting the expenses of maintaining the household.
- (5) “Family of moderate income” means any family which lacks the amount of income which is necessary, as determined by the commissioner, to enable it, without financial assistance, to acquire, by purchase, a decent, safe and sanitary dwelling suitable for long-term occupation by the family.
- (6) “Head of a family of moderate income” means any individual who is the acknowledged responsible person to whom members of a family of moderate income principally look for economic support or for guidance in matters affecting the entire family
- (7) “Veteran of World War II” means any person who served in the armed forces of the United States in active duty and any officer of the United States Public Health Service detailed by proper authority to duty with any of the foregoing at any time between the dates of December 7, 1941, and December 3, 1948, for a period of ninety days or more and who has been honorably discharged or separated from such service in a manner other than dishonorable, through no fault or misconduct of such person, or who is still in active service, or who has been retired or released to inactive duty as a reserve, and who shall have resided at any time in this state continuously for two years, and shall include the spouse or widow or widower of any such veteran. As used herein, the term “armed forces” includes the army, navy, marine corps or coast guard of the United States or any woman’s auxiliary branch thereof, organized pursuant to an act of Congress.
- (8) “Operative builder” means any person, firm or corporation engaged in the building business as a general contractor.
- (9) “Eligible buyer” means the head of any family of moderate income holding a certificate of eligibility issued by the commissioner.
- (10) “Certificate of eligibility” means a certificate issued by the commissioner to the head of a family of moderate income evidencing that he is eligible for the benefits of the act.
- (11) “Eligible borrower” means an operative builder approved by the commissioner or an eligible buyer.
- (12) “Loans” means loans made by the state under the act.
- (13) “Construction loans” means (a) temporary construction loans, and (b) permanent loans, the proceeds of which are to be disbursed during construction of a dwelling on the

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mortgaged premises, until such time as the loan has been fully disbursed, and, if the borrower is not an eligible buyer, until such time as the property has been acquired by an eligible buyer who has assumed payment of the loan.

(14) "Housing mortgage fund" means the housing mortgage fund authorized under section 8-87 of the general statutes.

(15) "Moderate cost housing" means a dwelling or group of dwellings, constituting a natural real estate entity, offered at a price which bears a reasonable relationship to the fair cost of replacement of the property under prevailing conditions in the community and which is of good quality, adequate with respect to over-all and room sizes, well but not over-equipped, and so constructed that it affords low costs for maintenance and operation.

(16) "New housing construction" means moderate cost housing on which no physical work has been performed prior to October 20, 1949, except that related to land improvement or foundation construction.

**Sec. 8-84-2. Loans**

(a) The loans shall be limited to first mortgage construction loans, first mortgage loans insured by the federal housing commissioner or guaranteed by the administrator of veterans affairs to the extent provided for by the Servicemen's Readjustment Act of 1944, as amended, and second mortgage loans guaranteed by the administrator of veterans affairs and qualifying as secondary loans under the Servicemen's Readjustment Act of 1944, as amended.

(b) No construction loan to a borrower eligible as such because an operative builder shall involve a principal obligation in excess of eighty per cent of the estimate of value of the mortgaged property as established by the federal housing commissioner.

(c) No temporary construction loan shall have a maturity in excess of eight months from the date of closing, except that the date of maturity may be extended with the approval of the commissioner.

(d) Each loan not a temporary construction loan shall have a maturity satisfactory to the commissioner and, if insured or guaranteed, to the federal housing commissioner or the administrator of veterans affairs, respectively.

(e) All loans except construction loans shall bear interest at such yearly rate, not in excess of two per cent, as may be determined by the commissioner.

(f) Construction loans shall bear interest at such yearly rate, not in excess of three and one-half per cent, as may be determined by the commissioner.

(g) Each loan not a temporary construction loan shall contain complete amortization provisions satisfactory to the commissioner and, if insured or guaranteed, to the federal housing commissioner or the administrator of veterans affairs, respectively. The sum of the principal and interest payments shall be substantially the same in each month and shall come due on the first of the month.

(h) Each first mortgage loan shall be secured by a mortgage which is a valid first lien on an estate in fee simple. Each second mortgage loan shall be secured by a mortgage which is a valid second lien on an estate in fee simple.

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(i) Each note evidencing a loan insured by the federal housing commissioner and the mortgage securing such loan shall be on forms approved by said commissioner; each note evidencing a loan guaranteed by the administrator of veterans affairs and the mortgage securing such loan shall be on forms approved by said administrator; each note evidencing a construction loan and the mortgage securing such loan shall be on forms approved by the public works commissioner.

(j) Disbursements of construction loans shall be made in installments. No disbursement shall exceed a reasonable percentage of the value of the work in place at the time the disbursement is made, less the amount of previous disbursements. The number of installments and the stages at which they will be made shall be indicated clearly in the loan agreement.

(k) Each permanent loan, the proceeds of which are to be disbursed during the construction of a dwelling on the mortgaged premises, shall provide that the construction shall be completed within eight months from the date of the loan.

(l) No construction loan shall be made unless and until the federal housing commissioner has issued a conditional commitment for mortgage insurance on a permanent loan, provided a construction loan may be made to an eligible buyer who is a veteran of World War II on issuance of a certificate of reasonable value and on a prior approval or automatic basis as determined by the public works commissioner. In no event shall the aggregate of the disbursements made under a construction loan prior to the issuance of a final compliance inspection report by the federal housing commissioner or the administrator of veterans affairs exceed eighty per cent of the estimate of value of the mortgaged property as established by said commissioner or administrator.

(m) Commitments by the state to make construction loans shall be cancelable at the will of the state when the construction has not been started within a reasonable time.

(n) In the case of a construction loan the borrower, if eligible as such because an operative builder, shall agree not to offer to sell or resell the property to any purchaser except an eligible buyer for a period of sixty days from the date fixed by the federal housing commissioner as the date of completion of construction.

**Sec. 8-84-3. Borrowers**

(a) An operative builder may be approved as an eligible borrower upon application to the commissioner.

(b) The head of any family of moderate income may be certified as an eligible buyer upon application, provided the commissioner finds that (1) he is a citizen of the United States resident in Connecticut, (2) his prospective and continuing yearly income, together with the prospective and continuing yearly incomes of the members of his family, is less than three thousand dollars plus six hundred dollars for each dependent member of his family, (3) his available net cash worth is less than three thousand five hundred dollars, (4) his family is not properly housed and (5) he is in need of assistance to enable him to acquire a decent, safe and sanitary dwelling suitable for long-term occupation by his family.

(c) An eligible borrower, eligible as such because an operative builder, shall be eligible

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for construction loans only. No eligible buyer shall be eligible for more than one first mortgage loan or a combination of first and second mortgage loans except with the consent of the commissioner.

(d) Each borrower shall have a general credit standing satisfactory to the commissioner and to the federal housing commissioner or, if the loan is to be guaranteed by the administrator of veterans affairs, to said administrator.

(e) Each borrower, eligible as such because the holder of a certificate of eligibility, shall establish that the periodic payments required by the mortgage bear a proper relation to his present and anticipated income and expenses.

(f) Each borrower shall establish that, after a first mortgage has been recorded, the mortgaged property will be free and clear of all liens other than such first mortgage and that there will not be outstanding any other unpaid obligations contracted in connection with the mortgage transaction or the purchase of the mortgaged property, except obligations which are secured by property or collateral owned by the borrower independently of the mortgaged property; provided, if the borrower is a veteran and obtains from the state a second mortgage loan guaranteed by the administrator of veterans affairs, the existence of such loan or the secondary lien upon the mortgaged property to secure such loan shall not render the mortgage ineligible.

(g) In granting loans the commissioner shall give preference to eligible buyers in the following order: (a) To families of low and moderate income, and among such families preference shall be given to veterans of World War II, (b) to citizens dwelling in the community where the housing is located and (c) to all other persons in accordance with their needs. The commissioner reserves the right to allocate remaining amounts of the housing mortgage fund exclusively to eligible buyers who are veterans of World War II and to citizens dwelling in the community where the housing is located, or exclusively to eligible buyers who are veterans of World War II.

**Sec. 8-84-4. Housing**

(a) To be eligible as security for a loan, the property shall be both moderate cost housing and new housing construction and be designed for the accommodation of one family only, except that, if the property is to be owned by a cooperative, it may be designed to accommodate exactly the number of eligible buyers who are members of the cooperative.

(b) Except to the extent waived by the commissioner in writing, the buildings on the mortgaged property shall conform to minimum property requirements established by the federal housing commissioner, or in the case of a first mortgage loan guaranteed by the administrator of veterans affairs to such property requirements as shall be established by said administrator.

(c) The mortgaged property shall meet all requirements of local zoning regulations and building codes, except that such requirements may be waived by the commissioner with respect to any housing otherwise eligible under these regulations if said commissioner determines that the public interest will be served thereby.

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**Sec. 8-84-5. Loan correspondents**

(a) Any bank, trust company, building and loan association, savings and loan association, or other financial institution, which is an approved mortgagee of the federal housing commissioner and is domiciled in Connecticut, may be approved as a correspondent upon application.

(b) Any other financial institution authorized to do business in Connecticut may be approved as a correspondent upon application if it has the following qualifications and meets the following conditions to the satisfaction of the public works commissioner, the federal housing commissioner and the administrator of veterans affairs: (1) It is a permanent organization having succession, (2) it is subject to the inspection and supervision of a federal or state agency which is required by law to make periodic examinations of its books and accounts, or, if not subject to such inspection and supervision, it shall submit a detailed audit of its books made by an accountant approved by and reflecting a condition satisfactory to the public works commissioner and (3) it is found by said commissioner to be qualified by experience and facilities to originate and service mortgages.

(c) The appointment of each correspondent shall be evidenced by a written loan correspondent agreement entered into by and between such correspondent and the state acting by the commissioner.

**Sec. 8-84-6. Fees and charges**

(a) The correspondent may charge each borrower who is an eligible buyer on each construction loan an originating fee of one-half of one per cent of the principal amount to be disbursed under such loan and shall retain the entire amount of said fee. The correspondent shall charge each borrower not an eligible buyer on each construction loan an originating fee of one per cent of the principal amount to be disbursed under such loan, and shall retain one-half of this fee and transmit the remaining one-half to the commissioner forthwith by check payable to the treasurer of the state.

(b) The correspondent shall retain each year as full compensation for servicing a permanent loan, not a construction loan, one-half of one per cent of the average annual principal balance thereof. A pro rata portion of the amount to be retained as aforesaid may be deducted by the correspondent from each interest payment, except the last in any calendar year, and any balance of compensation for such calendar year shall be deducted from the last interest payment in such year.

(c) The correspondent shall not charge any originating fee on a permanent loan, not a construction loan, to an eligible buyer and shall not be entitled to receive any compensation in addition to its originating fee for servicing a construction loan.

(d) Unless otherwise agreed upon by the commissioner in writing, the correspondent shall not make any charges against a borrower in addition to originating and servicing fees as aforesaid except for federal housing administration examination fees and mortgage insurance premiums, veterans administration appraisal fees, costs of a credit report, plot plan or survey, title search and certificate, the preparation of papers and attorneys' and recording fees, and for late charges approved by the commissioner and payable under the

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terms of the loan. No such charge shall exceed any limit prescribed by the federal housing commissioner or the administrator of veterans affairs.

**Sec. 8-84-7. Insured market agreements**

(a) Any operative builder intending to undertake the construction of moderate cost housing suitable for purchase by eligible buyers may apply for market insurance under the insured market provisions of the act either through a correspondent or directly to the commissioner. Applications shall be accompanied by lists, exhibits and plans giving a clear delineation of the properties to be covered by the insured market agreement.

(b) Each application shall indicate the total number of properties to be brought under the agreement and the number of properties on which market insurance is desired. Each application shall be accompanied by a fee of fifty dollars per property to be insured, which fee shall be rebated only if the insurance is refused.

(c) An insured market agreement may be entered into between an operative builder and the state only after the federal housing commissioner has issued commitments to insure mortgages on all the properties to be covered by the agreement.

(d) The agreement shall apply only to moderate cost housing consisting of single family dwellings the construction of which has not yet started, which dwellings shall conform to the minimum property requirements established by the federal housing commissioner and, except to the extent waived by the commissioner, to all requirements of local zoning regulations and building codes.

(e) The market insurance may be made to apply to all or a portion of the properties covered by the agreement.

(f) The granting of market insurance shall not be contingent upon an application by the operative builder for a construction loan from the state.

(g) The agreement shall provide that any properties which for any reason become ineligible for mortgage insurance by the federal housing commissioner during the construction period shall not be subject to the agreement and shall not be purchased by the state under any circumstances.

(h) The agreement shall provide that any property covered by the agreement but remaining uncompleted at the end of one year from the date thereof shall not be subject to the agreement and shall not be purchased by the state under any circumstances.

(i) The agreement shall set an agreed price for each property covered by the agreement and the agreed price shall be ninety per cent of the estimate of value established by the federal housing commissioner or nine thousand dollars, whichever is less.

(j) The agreement shall provide that the operative builder shall offer and attempt to sell each and every property covered by the agreement only to eligible buyers for a period extending to a date sixty days after the date which the federal housing commissioner fixes as the date of completion of construction.

(k) The agreement shall provide that any property covered by the agreement which remains unsold after a period of ninety days after the date which the federal housing commissioner fixes as the date of completion of construction may be offered for sale to the

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state during the period extending to one hundred twenty days from such date of completion, and the state shall purchase the property and pay the agreed price for it, provided it is satisfied there has been a reasonably diligent effort to find a buyer, either an eligible buyer or other purchaser, and provided it has not already purchased under the provisions of the agreement a number of properties in excess of the maximum number of properties insured under the agreement.