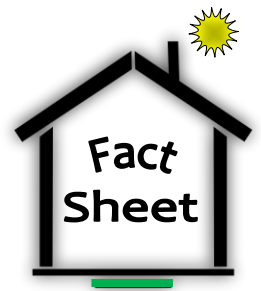


The Hempstead Homeownership Program

... a program of Eastern Connecticut Housing Opportunities, Inc.



Hempstead New London Program

Eastern Connecticut Housing Opportunities (ECHO) has launched a program, funded by the CT Department of Housing and the City of New London, to rehabilitate deteriorated two-family houses in the City and to provide financial assistance in the purchase of the renovated properties by first-time homebuyers of limited income. Homebuyer assistance comes in the form of a second mortgage covering 20% of the purchase price. Because the homeowner pays no interest or principal on the second mortgage, monthly total mortgage payments are reduced by 20%. In addition, the buyer does not have to carry the cost of mortgage insurance.

The program homes will be two-family houses located at various addresses around New London. Each home will be fully renovated before sale – typically the homes will have new roofs; new windows, doors, and siding; new heating systems; renovated kitchens and baths; replacement flooring; and fresh paint. Only properties renovated by ECHO are eligible for Home New London purchase assistance. A total of 10 homes will be rehabilitated and sold under the program. The initial homes will be completed and ready for sale in the Spring of 2022.

Eligibility Requirements

To be eligible for HHP assistance, the homebuyer must:

- Be a first-time homebuyer, or a buyer who has not owned a home in the last three years.
- Be a Connecticut resident at the time of application.
- Have a good credit history, as evidenced by a Pre-approval Letter from a mortgage lender.
- Have sufficient income to obtain a first mortgage for 80% of the purchase price.
- Complete a CHFA-approved, eight-hour homebuyer training course and a CHFA-approved landlord training course.
- Have a total gross household income that is at or below 100% of the Area Median Income (see income table below).

HUD's Adjusted 100% Area Median Income in New London County – Revised June 2022

Household Size:	1- person	2- person	3- person	4- person	5- person
Annual Gross Income:	\$71,890	\$82,160	\$92,430	\$102,700	\$110,916

Questions and Answers

How is “first-time homebuyer” defined?

The U.S. Department of Housing and Urban Development (HUD) defines a first-time homebuyer as an individual (and his/her spouse, if applicable) who has not owned a home during the three years prior to the purchase of a home with Hempstead Program assistance.

What HNLP-approved homebuyer training courses are available?

To become eligible for assistance, applicants must complete an eight-hour homebuyer training course and a landlord training course that are approved by the Connecticut Housing Finance Authority (CHFA). For times, locations, and contact information, visit www.chfa.org (click on Homeownership, for Homebuyers, Homebuyer Education, 8-Hour Homebuyer Education Class, Class Schedule). Please note that the CHFA-approved three-hour course is *not* acceptable training for this program.

How good does my credit have to be?

Assistance will be provided only to applicants who can demonstrate a history of meeting their financial obligations. For this program, “good credit” is defined as the ability to obtain a fixed payment, 30-year first mortgage loan at a rate no greater than 1.5% above the then-current CHFA rate, with a loan origination fee no greater than 2%. Under no circumstances will assistance be given in conjunction with adjustable-rate mortgages.

Are there restrictions on the use and re-sale of a property purchased with assistance?

Yes. ECHO’s purpose is to provide housing ownership to households, like yours, who would not be able to purchase a home without assistance. Under this program, the assistance you receive is in the form of a second mortgage on your home provided by the City. During your ownership, you will not have to make any payments of principal or interest on the loan. You will enjoy all the benefits of homeownership but, in order to receive assistance, you must agree to certain conditions on occupancy and re-sale. These conditions are spelled out in a Restrictive Covenant, which is a binding legal document that you will sign at the time of purchase. The Deed restrictions will be in effect for 15 years, and they are binding on you and on any future owner of the property during that time.

Occupancy requirements

As long as you own the home, you must occupy one of the dwelling units in the house as your principal residence. You will rent the other unit in the house to another household and keep the income to help with your ownership costs. The Covenant requires that tenant households have incomes at or below 60% of Area Median Income and that the rent they are charged is affordable to them based on a standard of gross rent not exceeding 30% of the household’s monthly income. You will be required to provide the City with information on the income of your renters and the rent charged them, annually, to show you are in compliance with these requirements.

Re-sale conditions

You may sell your home at any time. However, if you sell during the term of the Restrictive Covenant (15 years), you will be subject to the following restrictions on the sales price you may charge and the income of the buyer.

- **Sales price:** The maximum sales price you may charge is the price you paid, plus 3% of your purchase price for each year you owned the home, plus your costs of sale (such as sales commission paid to a real estate agent and conveyance taxes). For example, say you paid \$200,000 for your home and wish to sell after 10 years. Assume your costs of sale are \$12,000. Ten years times 3% = 30%, so you may sell your home for \$200,000 (your purchase price) plus \$60,000 (30% of your purchase price) plus \$12,000 in costs of sale equals \$272,000.
- **Income of buyer:** You may only sell your home to another low- or moderate-income household. HUD publishes median income figures for our area. These figures were used to determine your eligibility to buy your house, and they will be used to determine the maximum income your buyer may have. The figures are updated every year, so you can expect them to be higher in future years. If you plan to sell your home, you must provide the City with income information on your buyer, so that their eligibility can be verified.
- **Repayment of loan:** You will not be required to make any payments on the second mortgage so long as you occupy the home and you comply with the other requirements of the mortgage and the restrictive covenant. If you sell your home to an eligible buyer within the term of the Restrictive Covenant (15 years), the second loan will be re-paid to the City from the sales proceeds. At the end of 15 years, the full amount of the second loan will be forgiven.

Are there program costs to the homebuyer?

Yes. The homebuyer is responsible to pay for closing costs required by the first mortgage lender. These include an appraisal fee, title insurance, legal costs, and pre-paid homeowner's insurance.

For More Information

Contact Eastern Connecticut Housing Opportunities, Inc., 165 State Street, New London, CT 06320 at julie@echohomes.org or (860) 447-8055.

