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Flood Relief Home Ownership Program

Sec. 8-100-1. Definitions

(a) "Commissioner" means the public works commissioner of the state of Connecticut.

(b) "Correspondent" means any accredited loan agent appointed by the commissioner to originate and service loans on behalf of this state.

(c) "Certificate of eligibility" means a certificate issued by the commissioner to the head of a family of moderate financial resources evidencing that the recipient is eligible for the benefits of part IV of chapter 128 of the general statutes.

(d) "Permanent loan" means a loan, the principal of which is to be amortized over a period of years not exceeding thirty years from date of closing, and the proceeds of which are not to be distributed during construction of a dwelling on the mortgaged property.

(e) "Construction-permanent loan" means a loan which would be a permanent loan, except that the proceeds are to be disbursed during construction of a dwelling on the mortgaged premises.

(f) "Minimum property requirements of the federal building administration" means the "minimum property requirements for properties of one or two living units located in the New England States" promulgated by the federal housing administration and in effect as of March 6, 1956.

(g) All terms defined in section 8-96 of the general statutes shall have the same meaning when used or referred to herein.

(See G.S. § 8-96.)

Sec. 8-100-2. Loans

(a) The loans shall be limited to first mortgage permanent loans and first mortgage construction-permanent loans.

(b) No construction loan period in a construction-permanent loan shall be in excess of twelve months from the date of closing, except that this date of maturity may be extended with the approval of the commissioner.

(c) All loans, both permanent and construction-permanent, shall have a maturity satisfactory to the commissioner, but not in excess of thirty years from the date of the loan.

(d) Each loan shall contain complete amortization provisions satisfactory to the commissioner. The sum of principal and interest payments shall be substantially the same in each month and shall come due on the first of the month.

(e) Each note evidencing a loan and the mortgage securing such loan shall be on forms approved by the commissioner.

(f) Disbursements of construction-permanent loans will be made in instalments. 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 disbursement. The number of instalments and the stages at which they will be made shall be indicated clearly in the loan application and in the loan agreement and shall meet with the approval of the commissioner. In no event shall the aggregate of the disbursements made under a construction-permanent loan prior to the issuance of a final compliance inspection report by the commissioner exceed eighty per cent of the principal amount of such construction-permanent loan as written.

(g) Commitments to make construction-permanent loans shall be cancellable at the will of the commissioner when construction has not been started within a reasonable period of time.

(h) Each mortgage shall provide that the mortgagor will pay to the mortgagee on the first day of each month such equal monthly payments as will amortize the estimated amount of all taxes, special assessments, if any, and premiums on fire and other hazard insurance as may be required by the commissioner, within a period ending one month prior to the dates on which the same become delinquent, and that the mortgagee will hold such payments for the purpose of paying such taxes, assessments and insurance premiums before the same become delinquent for the benefit and account of the mortgagor. The mortgage shall also make provision for adjustments in case the estimated amount of such taxes, assessments and insurance premiums prove to be more, or less, than the actual amount thereof as paid by the mortgagor.

(i) The monthly payments made by the mortgagor to the mortgagee as provided in subsections (d) and (h) of this section shall be applied by the mortgagee in the following order: (1) Taxes, special assessments, premiums on fire and other hazard insurance, as may be required by the commissioner; (2) interest on the mortgage, and (3) amortization of the principal of the mortgage. Any deficiency in the amount of any such aggregate monthly payment shall, unless made good by the mortgagor prior to or on the due date of the next such payment, constitute an event of default under the mortgage.

(j) Each mortgage shall provide for a charge by the mortgagee of a "late charge" not to exceed three cents for each dollar of each payment more than fifteen days in arrears to cover the extra expense involved in handling delinquent payments.

(k) The mortgagor shall pay to the state upon the execution of the mortgage a sum that will be sufficient to pay the estimated taxes, special assessments and premiums on fire and other hazard insurance, as may be required by the commissioner, for the period beginning on the date to which such taxes, assessments and insurance premiums were last paid and ending on the date of the first monthly payment under the mortgage.

(See G.S. §§ 8-97(a), 8-98.)

Sec. 8-100-3. Loan applications and commitments

Any certified eligible borrower may submit a loan application to the commissioner upon a standard form prescribed by the commissioner. Approval of an application for a loan will be evidenced by the issuance of a written commitment by the commissioner setting forth the terms and conditions upon which the loan will be granted. In the event of noncompliance with such terms and conditions, the commitment may be terminated by the commissioner upon written notice to the applicant.

Sec. 8-100-4. Borrowers

(a) The head of a family of moderate financial resources may be certified as an eligible borrower upon application, provided the commissioner shall find that: (1) He and his family are residents of Connecticut and were displaced from their dwelling accommodations by the floods of August and October, 1955; (2) his prospective and continuing yearly income, together with the prospective and continuing yearly incomes of the members of his family, is less than forty-five hundred dollars, plus six hundred dollars for each dependent member of his family; (3) his available net cash worth is less than thirty-five hundred dollars; (4) he and his family lack the amount of financial resources which are necessary to enable them to purchase or construct a single family moderate cost dwelling house suitable for long-term occupancy by his family without state financial assistance as provided by part IV of chapter 128 of the general statutes.

(b) Each eligible borrower shall have a general credit standing satisfactory to the commissioner.

(c) Each eligible borrower shall establish that the periodic payments required by the mortgage bear a proper relation to his present and anticipated income and expenses.

(d) Each eligible 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.

(e) In granting loans, the commissioner shall give preference to eligible borrowers in accordance with their needs. All applications for loans shall be filed with the Public Works Department, Housing Division, and all such applications shall be processed as rapidly as possible in the order in which they are received.

(Sec. G.S. § 8-99.)

Sec. 8-100-5. Housing

(a) To be eligible as security for a loan, the property shall be both moderate cost housing and new housing construction on which no physical work or installation other than that related to land work or improvement has been done prior to July 1, 1955, and shall be designed for the accommodation of one family only.

(b) Existing construction at the time of approval of any permanent loan, including any property which is under construction at such time, shall, to the commissioner's satisfaction, comply with or reasonably meet standards substantially equivalent to those set forth in the general acceptability and the stated objectives of the minimum planning and minimum construction requirements of the minimum property requirements of the federal housing administration.

(c) Completion of proposed construction at the time of approval of any construction-permanent loan shall, to the commissioner's satisfaction, comply with or reasonably meet standards substantially equivalent to those set forth in the general acceptability, minimum planning, building planning and minimum construction requirements of the minimum property requirements of the federal housing administration.

(d) Each application for a construction-permanent loan shall be accompanied by a plot plan and by drawings and specifications describing all proposed construction, which plot plan and drawings and specifications shall be in substantially the same form and contain the same information as that required in the required drawings and specifications provisions of the minimum property requirements of the federal housing administration. Each such application shall also be accompanied by the builder's agreement to deliver to the mortgagor a warranty certificate upon completion of construction as required in subsection (j) of this section.

(e) Specifications shall include the data on the commissioner's form entitled "Description of Materials" and shall be in sufficient detail to describe the sizes, grades and qualities of all materials and equipment and the manner of erecting and installing the same.

(f) Property covered by a construction-permanent loan shall be subject to periodic inspections by the commissioner to determine whether construction complies with the approved plans and specifications.

(g) The stages at which inspections shall be made will be those set forth in the compliance inspection requirements of the minimum property requirements of the

federal housing administration, and the borrower or the builder shall notify the commissioner when construction is ready for such inspections.

(h) Each construction-permanent loan shall provide that, in the event of noncompliance with the plans and specifications and unwillingness or inability on the part of the borrower or builder to correct the same to the commissioner's satisfaction, the commissioner may declare the loan to be in default and to be immediately due and payable.

(i) No loan application for a construction-permanent loan shall be approved unless there exists in writing a satisfactory construction contract between the eligible borrower and a competent, experienced and qualified home builder. This requirement may be waived by the commissioner upon special application in writing to him showing such good reasons as would indicate the competency and ability of the eligible borrower to qualify as the builder of his own home.

(j) In connection with all loans, a warranty certificate of sound construction in a form satisfactory to the commissioner shall be issued to the purchaser by the builder or seller as a part consideration for the purchase price of the property.

(k) The mortgaged property shall meet all requirements of local zoning regulations and building codes.

(l) It shall be the prime obligation and responsibility of the eligible borrower to select a dwelling house adequate and suitable to his needs, of sound quality and so constructed that it affords low costs for maintenance and operation.

Sec. 8-100-6. Loan correspondents

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

(b) Any other 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 commissioner: (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 commissioner, and (3) it is found by the 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. 8-100-7. Correspondent's fees and loan closing charges

(a) The correspondent may charge each eligible borrower on each construction-permanent loan an originating fee of one per cent of the principal amount to be distributed under such loan and shall retain the entire amount of said fee.

(b) The correspondent may charge each eligible borrower on each permanent 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.

(c) The correspondent shall retain each year as full compensation for servicing a permanent 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.

(d) Unless agreed upon otherwise by the commissioner in writing, the correspondent shall not make any charges against the eligible borrower in addition to the originating and servicing fees as aforesaid, except for state appraisal and inspection fees, costs of a credit report, plot plan or survey, title search and certificate, preparation of papers and attorney's fees, recording fees, amortization schedules and for late charges approved by the commissioner and payable under the terms of the loan. No such charges shall exceed any limit prescribed by the commissioner.

Sec. 8-100-8. Amendment of regulations

Any amendments to these regulations, in whole or in part, as made by the commissioner shall not affect the mortgage contract on any mortgage on which the commissioner has made a commitment.