

Homeowner's Equity Recovery Opportunity Loan Program (HERO) Expansion Program



***A mortgage loan program for purchasing
and/or rehabilitating foreclosed, abandoned
or bank-owned properties in Connecticut***

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Home photos on inside cover and page 4 were provided courtesy
of Neighborhood Housing Services of New Haven.



What is the HERO Expansion Program?

HERO Expansion is a mortgage program designed to support neighborhood stabilization by providing first mortgage financing to encourage first-time homebuyers and existing homeowners to purchase and/or purchase and rehabilitate foreclosed or abandoned properties including properties conveyed by deed in lieu of foreclosure or short sale. These mortgages will be underwritten in conjunction with existing FHA Mortgage Insurance program guidelines. Your lender can determine whether or not the abandoned property meets the requirements for the HERO Expansion Program. See page 4 for information on abandoned property.

Who can apply for a HERO Expansion loan?

- Eligible homeowners include first-time homebuyers or existing homeowners who agree to occupy the home purchased through the HERO Expansion Program as their primary residence.
- Existing homeowners are not required to sell their current residence to purchase a home through the HERO Expansion Program. However, they must occupy the property they purchase with HERO Expansion funds as their primary residence.
- Deed restrictions will be placed on the property for a period of 5 years. Any homeowner wishing to sell or transfer their ownership interest within 5 years of purchase must seek CHFA approval.



Guidelines for Existing Homeowners:

An existing homeowner may keep their current property (or previous home) and purchase a new home through the HERO Expansion Program anywhere in the state. Borrowers are allowed to rent their current property (or previous home). CHFA will count 85% of the net rental income from the current property (or previous home) in the borrower(s) qualifying income if the borrowers can provide the following:

- A copy of a fully executed lease agreement for the property
- Evidence of receipt and deposit of the 1st month's rent
- Evidence of receipt and deposit of tenant(s) security deposit funds into an escrow account in compliance with State rental law. (Borrower(s) will be required to collect a minimum of 1 month's rent for a security deposit.)
- Borrowers that are not able to rent their current property (or previous home) prior to closing on the subject property will be required to certify that the property will be vacated within 30 days of the loan closing and must qualify with 100% of the PITI for the property included in liabilities. Total Housing Payment to Income ratio of 31% and a Total Debt to Income ratio of 43% will still apply.



What is an abandoned property?

“Abandoned property” means any real property on which there is a vacant structure and on which (1) real property taxes have been delinquent for one-year or more and orders have been issued by the municipality’s fire official, building official or health official and there has been no compliance with those orders within the prescribed time given by such official or within ninety days, whichever is longer, (2) the owner has declared in writing to the building official that his property is abandoned or (3) there has been a determination by the municipality in accordance with an ordinance adopted under subparagraph (H)(xv) of subdivision (7) of subsection (c) of section 7-148, that the vacant structure contributes to housing blight. Prospective homebuyers looking to purchase an abandoned property should contact the municipality where the home is located to begin the home buying process.



What if the home being purchased needs repairs?

A full FHA 203(k) rehabilitation loan as listed in the US Department of Housing and Urban Development (HUD) website: <http://www.hud.gov/offices/hsg/sfh/203k/203kabou.cfm>, will allow borrowers to purchase a house in need of repair or modernization with the HERO Expansion mortgage loan that includes both the cost of acquisition and rehabilitation. The maximum mortgage amount cannot exceed the applicable loan-to-value ratio and maximum dollar amount limitation prescribed for the FHA Maximum Mortgage Limits, as listed on page 9.

The interest rate is the same rate as the HERO Expansion Program loan, however, the borrower will be required to pay additional points.

OR

The FHA 203(k) Streamline Program as listed in the US Department of Housing and Urban Development (HUD) website: <http://www.hud.gov/offices/hsg/sfh/203k/203kslrp.cfm>, is a limited repair program that will allow borrowers to obtain a HERO Expansion mortgage loan that includes the cost of acquisition and up to an additional \$35,000 that can be used to complete moderate rehabilitation or modernization repairs to the property prior to moving in. The maximum mortgage amount cannot exceed the applicable loan-to-value ratio and maximum dollar amount limitation prescribed for the FHA Maximum Mortgage Limits, as listed on page 9.

The interest rate is the same rate as the HERO Expansion Program loan, however, the borrower will be required to pay additional points.

Where can you purchase a home that has been foreclosed, abandoned, conveyed by deed in lieu, or short sale?

The program is available statewide including federally targeted urban areas.

What types of property can you purchase with a HERO Expansion Program?

Eligible Properties include: FHA-approved condominiums and PUD's, Single Family Detached Properties, 2-4 Family Detached Properties. All properties must be the owner-occupied primary residence of the borrower.

Ineligible Properties include: Cooperatives; homes that have never been completed; homes that have been completely demolished, including the foundation.



Are there sales price limits?

HERO Expansion does not have sales price limits, but will follow the maximum financing available as set by FHA Maximum Mortgage Limits, listed on page 9.

Are there income limits associated with the HERO Expansion Program?

There are no income limits for the HERO Expansion Program, unless a borrower is utilizing the CHFA Downpayment Assistance Program (DAP). The Downpayment Assistance Program allows eligible borrowers to borrow funds for downpayment and/or closing costs, as needed for the purchase of the home acquired through the HERO Expansion Program.

What is the interest rate for the HERO Expansion Program?

The interest rate for the HERO Expansion Program is the same as the CHFA Homebuyer Program rate. Check the CHFA website at www.chfa.org for current rates.



Will you have to pay Federal Recapture Tax if you sell before 9 years and have a capital gain on the sale?

There is not a Federal Recapture Tax associated with the HERO Expansion Program.

Is Counseling required with the HERO Expansion Program?

Yes, counseling requirements are identified below:

- All borrowers approved for a HERO Expansion mortgage loan must attend financial fitness counseling with a CHFA-approved counseling agency prior to closing the loan.
- All borrowers purchasing 2-4 family properties must also attend Landlord Counseling, as listed on the CHFA website under the Homebuyer Education section, with a CHFA-approved counseling agency prior to closing the loan.
- Homebuyers utilizing DAP must also attend a 3-hour Homebuyer Education class with a CHFA-approved counseling agency prior to closing the loan.
- Borrowers renting their current or previous home must attend Landlord Counseling as listed on the CHFA website under the Homebuyer Education section, with a CHFA-approved counseling agency prior to closing the loan.

Where can you get more information on the HERO Expansion Program?

For further information on the HERO Expansion Program, homebuyers may contact the CHFA Call Center at 1-877-571-2432.

FHA MAXIMUM MORTGAGE LIMITS

COUNTY	ONE-FAMILY	TWO-FAMILY
Fairfield	\$708,750	\$907,350
Hartford	\$440,000	\$563,250
Litchfield	\$375,000	\$480,050
Middlesex	\$440,000	\$563,250
New Haven	\$387,500	\$496,050
New London	\$398,750	\$510,450
Tolland	\$440,000	\$563,250
Windham	\$272,500	\$348,850

COUNTY	THREE-FAMILY	FOUR-FAMILY
Fairfield	\$1,096,750	\$1,363,000
Hartford	\$680,850	\$846,150
Litchfield	\$580,300	\$721,150
Middlesex	\$680,850	\$846,150
New Haven	\$599,600	\$745,200
New London	\$617,050	\$766,850
Tolland	\$680,850	\$846,150
Windham	\$421,650	\$524,050



Connecticut Housing Finance Authority

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