



HFA: Connecticut Housing Finance Authority  
Name of Entry: Pilot Homeownership and Downpayment  
Assistance Program for Manchester  
Category: Homeownership/Empowering New Buyers

## **NCSHA 2010 Annual Program Awards**

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### **Connecticut Housing Finance Authority Improves Communities Through Targeted Homebuyer Programs**

#### **Background**

Increasing homeownership has been identified as a critical component for the stabilization and creation of healthy neighborhoods in Connecticut. Developing stable neighborhoods and communities is a key strategy in meeting Connecticut Housing Finance Authority's (CHFA) mission. The mission of CHFA is to help alleviate the shortage of affordable housing for low- and moderate-income families and persons in Connecticut, and when appropriate, to promote and maintain the economic development of the State through employer-assisted housing efforts. In support of this mission, one of CHFA's goals is to partner with communities to help to increase homeownership opportunities in areas of the State where the homeownership rate is less than 50%.

The Pilot Homeownership and Downpayment Assistance Program for Manchester was part of CHFA's homeownership objective to work with communities to support neighborhood revitalization efforts by creating homeownership opportunities in residential census tracts with low homeownership rates. CHFA was engaged in discussions with the Town of Manchester as they had expressed a desire to partner with CHFA to develop a program to help increase homeownership in specific census tract areas of the Town, specifically the Historic District of older neighborhoods which contain the Town's most affordable housing. However, this area also suffered from low homeownership rates.

CHFA receives funds through the Community Investment Act (CIA), which was signed into law in 2005. This landmark legislation provided \$300,000 in funding to CHFA to provide support for the development of single family mortgage programs that will increase homeownership opportunities in targeted urban areas with low homeownership rates. The funds are generated through the collection of a \$30 fee by town/city clerks for the recording of all documents into municipal land records. A portion of this fee is remitted to CHFA. These funds were used in the form of a grant, which type of funding is not available through CHFA as a normal course of business.

#### **Community Revitalization – Focus on Historic District**

Manchester's Historic center includes homes built between 1880 and 1920. These neighborhoods remained largely unchanged from their original development pattern. The homeownership rate in some of these areas is as low as 15%. The Town identified three areas that were key to their revitalization plans. It dedicated \$27.9 million to support revitalization efforts including housing rehabilitation, homeownership programs, after school recreation and education programs, new parks and playscapes and infrastructure repair or replacement. Increasing homeownership was identified as a critical component for the stabilization and creation of healthy neighborhoods in these census tracts of Manchester. The Town made this commitment to stabilize and revitalize these neighborhoods using its own resources. Because of the commitment to improve the neighborhoods in this area, CHFA agreed to provide the first-mortgage financing at a reduced interest rate. CHFA allocated \$300,000 of CIA funds to support the Pilot Homeownership and Downpayment Assistance Program for Manchester.

This unique program utilized funding from the Town to improve infrastructure, CHFA reduced interest rate funding for the home purchase and CIA Funds in the form of a forgivable loan for the Downpayment



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and closing costs associated with the purchase of a home or condominium in the Historic District of Manchester.

### **Program Objective**

The Pilot Homeownership and Downpayment Assistance Program for Manchester was developed through a partnership with the Town of Manchester and CHFA to attract first-time homebuyers and provide homeownership opportunities in one of the specified areas of Manchester utilizing a forgivable loan for the downpayment. The town agreed to provide infrastructure in these neighborhoods to enhance homeownership opportunities. CHFA in turn provided a first-mortgage with a ¼% reduced interest rate from its regular Homebuyer Mortgage Program for the purchasers of homes in these neighborhoods.

### **Program Overview**

- CHFA's Board approved the Pilot Homeownership and Downpayment Assistance Program for Manchester in June of 2007, which offered first mortgages at a rate of ¼% below CHFA's regular Homebuyer Program rate and a forgivable loan for the downpayment and closing costs assistance for properties that were located in the three census tract areas identified by the Town.
- The total funding for the forgivable Downpayment Assistance loan was \$300,000 and was available on a first-come, first-serve basis which utilized the CIA funds.
- The forgivable Downpayment Assistance loan could not exceed 3% of the cost of acquiring the dwelling or condominium units or \$10,000. The forgivable loan is forgiven at 20% per year over a five-year period.
- CHFA's Homebuyer Mortgage Program income and sales price limits apply for this loan program as set for the Town of Manchester: \$81,000 for 1-2 person household, \$93,150 for 3 or more person household.
- Sales price limits could not exceed \$301,500, the current limit set for Manchester.
- CHFA identified two of its current Participating Lenders that were the most active in the Manchester market and willing to originate and service these loans.

### **Marketing of Program**

Staff developed a cost-effective marketing plan to inform Realtors® and prospective homebuyers of CHFA's initiatives to help increase homeownership opportunities in Manchester. The plan included an informational breakfast meeting for Manchester-area Realtors®. In addition, CHFA advertised in smaller, less expensive weekly periodicals and a local newspaper to draw prospective homebuyers to informational meetings that were scheduled in Manchester to learn more about the Program for Manchester.

CHFA contracted with counseling agencies to host Homebuyer Education classes in Manchester for a two-month period. The classes were free of charge to the prospective homebuyers and covered the current 8-hour Homebuyer Education curriculum offered by CHFA-HUD-approved Counseling Agencies. In addition, CHFA offered individual credit and financial sessions for those prospective homebuyers who may have needed assistance rectifying credit issues.

In addition to CHFA's efforts, one of its Participating Lenders, McCue Mortgage Company, initiated a Home Tour to identify homes for sale in the specified areas of Manchester. Entitled the "Shoe Shuttle", which depicts the areas of Manchester eligible for the Pilot Homeownership and Downpayment



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Assistance Program, McCue Mortgage Company hired a bus to shuttle prospective homebuyers to tour 16 homes for sale within the “Shoe” area of Manchester. This was a quick and easy way to see homes available for sale in the Historic District of Manchester. Listing Realtors®, attorneys, mortgage originators and home inspectors were on hand during the tour to help answer questions.

### **Results of Program**

The Pilot Homeownership and Downpayment Assistance Program for Manchester proved to be very successful and helped CHFA and the Town achieve their goal of increasing homeownership in Manchester. This unique program utilized funding from the Town to improve infrastructure and rehabilitation, CHFA funding for the home purchase and CIA Funds in the form of a forgivable loan. The program was ended in November, 2009 as it utilized the full \$300,000 of CIA funds allocated for the Program. A total of 35 loans were made with over \$5.6 million in CHFA first mortgage funding. The average income for borrowers who purchased homes through this program was \$53,537. The average CHFA first mortgage was \$180,534.

### **Moving Forward in 2010**

Given the success of the first Pilot Homeownership and Downpayment Program for Manchester, the Town requested that CHFA again partner with it to offer first mortgage financing in conjunction with the Town’s forgivable downpayment and/or closing cost assistance program. The program will utilize CHFA funds for the first mortgage and a forgivable downpayment and/or closing cost loan through the Town of Manchester’s Community Development Block Grant (CDBG) funds. The Town currently has \$40,000, which will be used as a forgivable \$4,000 maximum downpayment assistance and/or closing cost loan in designated census tract/block grant areas of Manchester. This funding will support the purchase of 10 homes.

The Town is looking to continue to improve property conditions and improving the overall quality of life in these areas of Manchester. Increasing homeownership has been identified as a critical component for the stabilization and creation of healthy neighborhoods in Manchester. CHFA will offer a rate of ¼% below CHFA’s regular Homebuyer Program rate given that the forgivable downpayment and/or closing cost loans will be provided by the Town through the CDBG funding.

The goal under the Program is to provide homeownership opportunities to first-time homebuyers with incomes at or below 80% of the Area Median Income of Manchester, adjusted for family size. The Program will be available on a first-come, first-serve basis. The Town expects to receive additional CDBG funding in October, 2010, in the amount of \$70,000 to continue the program until funds are exhausted.

CHFA will implement the new Pilot Downpayment and/or Closing Cost Assistance Program for Manchester in early September, 2010.