



Reverse Annuity Mortgage (RAM) Program

In Connection With Long Term Care (LTC)

CHFA



TABLE OF CONTENTS

| | | |
|-----------------------|-------|-----|
| Borrower Eligibility | Pages | 1-2 |
| Home Eligibility | Page | 2 |
| RAM Loan Description | Pages | 3-4 |
| Future Considerations | Pages | 5-6 |
| Loan Application | Page | 6 |

In cooperation with the State of Connecticut Department of Social Services Elderly Services Division, the Connecticut Housing Finance Authority (CHFA) has made funds available to make reverse annuity mortgage loans in connection with long term care. The following questions and answers explain the program and may help you determine whether it is appropriate for you.

- Q.** What is the CHFA Reverse Annuity Mortgage (RAM) loan in connection with Long Term Care (LTC)?
- A.** It is a first mortgage loan that allows senior citizens with long term care needs to use the equity in their homes to collect a monthly tax-free cash payment for five (5) years or ten (10) years. It is repaid in one payment after the death of the borrower or when permanent occupancy ceases.

BORROWER ELIGIBILITY

- Q.** Who is eligible for a CHFA RAM loan in connection with LTC?
- A.** A homeowner with long term care needs who is 70 years or older, whose household income does not exceed the CHFA RAM income limit and whose home is eligible.

- Q.** What is Long Term Care (LTC)?
- A.** LTC describes a wide range of medical and supportive services provided to individuals who have lost some or all capacity to function on their own due to a chronic illness or condition and who are expected to require these services for an extended period of time, usually more than six months.

- Q.** What LTC costs are considered by CHFA to be coverable under the RAM program?
- A.** The costs associated with: hospitals, convalescent nursing homes, homes for the aged, or rest homes with nursing supervision (at least one borrower must occupy the primary residence); in-home care, including nursing, personal care attendants, homemaker and chore services, nutrition services, transportation, counseling, physical therapy, and other support services; adult day care; durable medical equipment; medically-indicated home alterations; LTC insurance premiums; uninsured recurring and catastrophic medical expenses and prescription drugs.

- Q.** Who assesses the need for LTC?
- A.** A representative from an independent social services agency.

- Q.** Do I have to be retired to be eligible?
- A.** No, you may continue to have full-time or part-time employment as long as you do not exceed the income limit.

- Q.** If I am married, does my spouse have to be 70 years or older?
- A.** Yes.

- Q.** If I am married, must my spouse be a co-borrower?
- A.** Yes, and there must be joint ownership of the home with rights of survivorship (unless one spouse is permanently institutionalized).

Q. What is the CHFA LTC RAM income limit statewide?

A. \$81,000

Q. How is my family income measured?

A. The income of all adult members of the household, other than full-time students, is included. The income is the amount of the total income (adjusted gross income) shown on the prior year's federal income tax return(s) plus the prior year's non-taxable income such as social security and municipal bond interest. Any investment or business losses which were subtracted in determining gross income are added back by CHFA.

Q. What if I was not required by law to file a federal income tax return last year?

A. This is not a problem; however, any income that you received will be counted by CHFA.

HOME ELIGIBILITY

Q. What types of homes are eligible?

A. An owner-occupied single family house or a condominium unit.

Q. Must my home be located in the State of Connecticut?

A. Yes, in any Connecticut town or city.

Q. What is the effect of an existing mortgage or other lien?

A. You may apply now, but the home must be clear of any mortgage or other type of lien at the time of closing a CHFA RAM loan. The CHFA RAM can provide up to \$5,000 to clear any liens. If there is an assessment against your home, such as for sewer, water, or road improvements, you will not have to pay off the assessment in full at the time of the RAM closing, if your payments are current.

Q. Is there a maximum appraised value for an eligible home?

A. No.

Q. How is the current appraised value determined?

A. After you apply, an appraiser will be sent to your home by CHFA to determine the current appraised value.

Q. What can I do if this appraised value comes in lower than what I believe the value to be (thus reducing my monthly payment)?

A. You may have CHFA provide a second appraisal, at your expense, which appraised value will be conclusive.

RAM LOAN DESCRIPTION

Q. How does the CHFA RAM work?

AS AN EXAMPLE:

A. You receive a loan in an amount up to 70% of the value of your home. The maximum loan amount is \$417,000 which is 70% of a home valued at \$595,700. Loan payments are made to you on the first day of every month for five (5) years or ten (10) years.

Q. If I choose a loan amount less than the maximum allowable, can I increase the loan amount later during the five-year or ten-year period.

A. No.

Q. Can I receive a lump sum payment at the outset of the loan?

A. Yes, you may choose to receive an amount not exceeding \$5,000 for any purpose such as:

1. Paying off liens (small mortgage balances, back taxes);
2. Repairs or improvements to the home;
3. Medical expenses; or
4. Paying outstanding bills.

If medical or supportive services are required, the lump sum payment may be increased up to \$25,000.

Q. If I receive a lump sum payment, how will it affect the monthly payment?

A. A lump sum payment with a five-year payment period will reduce the amount of the monthly payment that you will receive by approximately \$19 for each \$1,000 of lump sum payment. For example, a \$5,000 lump sum payment will reduce the monthly payment by approximately \$94; and a \$25,000 lump sum, by approximately \$478.

Q. Can I receive a lump sum payment at any time?

A. No, the only time you can receive a lump sum payment is at the closing.

Q. What is the interest rate on a CHFA RAM?

A. 7% (7.1% APR).

Q. Is this a fixed or variable interest rate?

A. Fixed.

Q. How do I pay this interest?

A. You don't pay the interest separately. It is automatically accounted for in calculating the monthly payment that you receive.

- Q.** How can I estimate the amount of the monthly payment that I would receive for five years, taking no lump sum?
- A.** Your monthly payment would be approximately 0.9% of the lesser of \$595,700 or the appraised value of your home. The table below provides examples of monthly payments for both a five-year payment period and a ten-year payment period. The interest rate is 7.0% (7.1% APR) for this example.

| 10-Year Payment Period | | Approximate 1st-Year Monthly Payment | | |
|-------------------------|---------------------|--------------------------------------|---------------------------|----------------------------|
| Appraised Value of Home | Maximum Loan Amount | Taking No Lump Sum | Taking a \$5,000 Lump Sum | Taking a \$25,000 Lump Sum |
| \$100,000 | \$ 70,000 | \$ 343 | \$ 292 | \$ 86 |
| 125,000 | 87,500 | 433 | 381 | 175 |
| 150,000 | 105,000 | 522 | 471 | 265 |
| 200,000 | 140,000 | 702 | 650 | 444 |
| 250,000 | 175,000 | 881 | 830 | 624 |
| 295,000 | 207,000 | 1,045 | 994 | 788 |
| 476,700 | 333,700 | 1,695 | 1,643 | 1,439 |
| 513,400 | 359,300 | 1,826 | 1,775 | 1,570 |
| 595,700 or higher | 417,000 | 2,122 | 2,070 | 1,865 |

| 5-Year Payment Period | | Approximate 1st-Year Monthly Payment | | |
|-----------------------|-----------|--------------------------------------|--------|--------|
| \$100,000 | \$ 70,000 | \$ 896 | \$ 803 | \$ 428 |
| 125,000 | 87,500 | 1,127 | 1,034 | 660 |
| 150,000 | 105,000 | 1,358 | 1,265 | 891 |
| 200,000 | 140,000 | 1,821 | 1,727 | 1,353 |
| 250,000 | 175,000 | 2,283 | 2,190 | 1,815 |
| 295,000 | 207,000 | 2,706 | 2,610 | 2,238 |
| 476,700 | 333,700 | 4,379 | 4,286 | 3,914 |
| 513,400 | 359,300 | 4,718 | 4,624 | 4,252 |
| 595,700 or higher | 417,000 | 5,480 | 5,386 | 5,013 |

- Q.** Will my monthly payment always stay the same?
- A.** Every year the monthly payment that you receive will increase by 3% in order to help you meet any increased living costs. For example, an initial \$1,358 monthly payment grows to be \$1,528 in the fifth year. These monthly payment amounts are after subtracting out the interest from the monthly loan advance.

Q. Must I arrange for my monthly check to be sent directly to my bank account?

A. Yes.

Q. Do I have to pay income taxes on the monthly payments that I receive?

A. No.

FUTURE CONSIDERATIONS

Q. Will I still own my home?

A. Yes, with a CHFA RAM you continue to own your home and benefit from any appreciation in value. CHFA will not share any such appreciation.

Q. How will the loan be repaid?

A. Generally, the loan will be repaid from the sale of the home upon the death of the last surviving borrower residing in the home.

Q. Can I sell my home before the five-year or ten-year payment period is over?

A. Yes, but the monthly payments would stop and the the outstanding balance of the RAM loan would have to be repaid. A RAM loan is prepayable at any time for any reason—there is no prepayment penalty.

Q. What happens if I no longer occupy the home even though I still own it?

A. The monthly payments would stop and the the outstanding balance of the RAM loan would have to be repaid.

Q. What happens if one spouse dies before the five-year or ten-year period is over?

A. The monthly payment continues to the surviving spouse.

Q. Will my RAM payments stop if my income in a subsequent year exceeds the income limit?

A. No.

Q. How are real estate taxes and property insurance handled?

A. Real estate taxes must be fully paid and adequate property insurance must be in effect at the time of closing of the RAM loan. Although CHFA will not escrow for real estate taxes and insurance premiums, CHFA will require that your payments be kept current. Your additional income from the RAM loan should make it easier to meet these payments.

Q. What is the amount of the loan balance at the end of the payment period?

A. The loan balance represents the total principal which has been advanced for closing costs, monthly payments and interest. For example, on a home that had an appraised value of \$150,000, the amount owed at the end of a five-year payment period would be \$105,000 comprised of \$1,500 of closing costs and approximately \$86,572 of monthly payments and \$16,928 of interest.

Q. What happens at the end of the payment period?

A. CHFA will not require you to pay off the loan or sell your home at that time. At the end of the payment period, your monthly payments would stop and CHFA would continue to carry the loan balance without requiring you to pay interest monthly. However, interest would continue to accrue on the loan balance at 7% per year until the loan is repaid in full.

Q. Will there be any personal liability on my part?

A. Yes. CHFA has the right to look to your other assets for ultimate repayment of the RAM loan if the proceeds from the sale of your home are insufficient to repay the RAM. Heirs will not have any personal liability.

Q. Would a CHFA RAM affect my rights to public benefits?

A. It would not affect your rights under Social Security, Medicare, Energy Assistance, Property Tax Relief, or the Pharmaceutical Assistance Program (CONNPACE). It might affect your rights under Medicaid, Food Stamps, Supplemental Security Income (SSI) or the State Supplement to SSI. If you would like to discuss your particular case, please contact the State Elderly Services Division.

LOAN APPLICATION

Q. How do I apply?

A. You must apply to the Elderly Services Division of the Connecticut Department of Social Services which will preliminarily review your eligibility. If you are referred to CHFA for a RAM loan, a representative from CHFA will schedule a meeting in order to take a more detailed RAM loan application.

Q. What is the application fee?

A. There is no fee for applying to the Connecticut Elderly Services Division for possible referral to CHFA for a RAM.

Q. What are the fees and costs?

A. No out-of-pocket fees are paid to CHFA. However, the following one-time costs totaling \$1,500 are added into the initial RAM loan balance and thus are incurred by the borrower:

| | |
|---|------------|
| Loan origination fee | \$ 600 |
| Appraisal fee, LTC assessment fee, title search, title insurance, legal fee and recording costs | <u>900</u> |
| | \$1,500 |

At your expense, you must retain your own attorney.

Q. If I am approved, what legal papers will I have to sign?

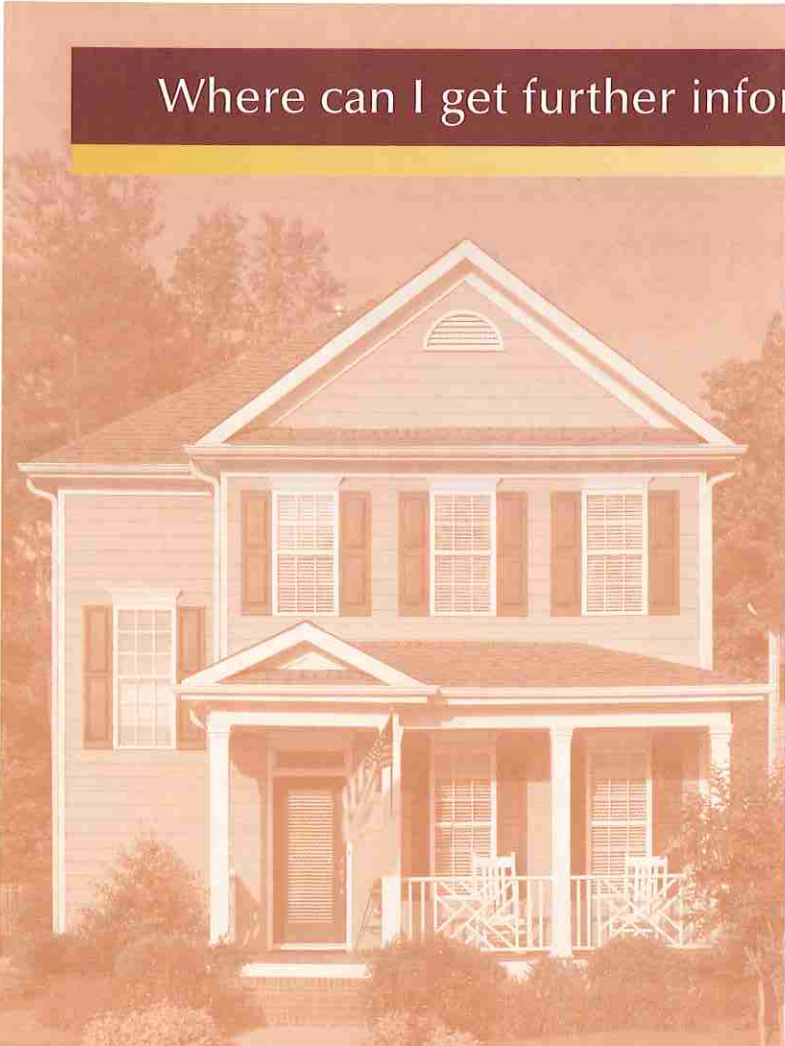
A. RAM Loan Agreement
Mortgage
Note
Truth-In-Lending Disclosure Statement
Notice of Right to Cancel





Connecticut Housing Finance Authority
999 West Street
Rocky Hill, CT 06067-4005

Where can I get further information on the RAM Program?



**State of Connecticut
Department of Social Services
Elderly Services Division**
25 Sigourney Street, 10th Floor
Hartford, CT 06106-2055
Phone: (860) 424-5284

TOLL FREE: 1-800-443-9946

OR

**Connecticut Housing Finance Authority
RAM Program**
999 West Street
Rocky Hill, CT 06067-4005
Phone: (860) 571-3502

Inquiries may be directed to CHFA at (860) 571-3502

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