

CHFA Expands Down Payment Assistance for First-Time Borrowers

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First-time homebuyers using the Connecticut Housing Finance Authority's Downpayment Assistance Program can now include closing costs in the total loan amount, a feature not available to borrowers in recent years.

CHFA, which offers programs for first-time homebuyers through a network of community banks and larger institutions, said in a statement released Sunday that it had revised the loan program to make homeownership easier for first-time borrowers with low and moderate incomes.

DAP allows first-time homebuyers to apply for a loan up to \$20,000 to use toward the down payment. CHFA, a quasi-public housing agency, noted that saving enough money to cover down payment and closing costs was an obstacle faced by first-time homebuyers.

"CHFA DAP loans have made the difference for thousands of people who did not think they could afford to buy a home because they lacked the money for a down payment," Nandini Natarajan, CEO and executive director of CHFA, said in the statement. "Helping individuals and families to become first-time homeowners is an important part of CHFA's affordable housing mission."

Closing costs can range from about 2 percent to 5 percent or more of the mortgage's value. Including closing costs in the DAP loan amount will increase the number of borrowers who can be approved for a

mortgage, said Tina Rafael, vice president and mortgage originator at People's United Bank.

"CHFA DAP loans are so important for those first-time borrowers who need the most help," Rafael said in the statement. "Allowing the loans to be used for the down payment and closing costs is a home run."

Changes to the program also include new guidelines that require borrowers to make a minimum investment of \$1,000 toward the cost of acquisition of the property and receive a DAP loan for up to \$20,000, the maximum allowed for the program.

The total-debt-to-income ratio for the program increased to 45 percent and the combined loan-to-value increased to 105 percent.

Closing costs have not been eligible for DAP funding since 2018. CHFA had modified DAP "in an effort to extend the program resources as well as to strengthen borrower success," according to the agency's 2018 annual report. DAP loans were limited to down payment assistance only, excluding closing costs, and the maximum combined loan-to-value on CHFA financing was restricted to 100 percent.

CHFA closed more than 2,800 mortgages in 2019, and nearly one-third of those homebuyers also received a DAP loan, according to CHFA's 2019 summary report.

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