


Reverse Annuity Mortgage

Reverse Annuity Mortgage for Connecticut Senior Citizen Homeowners





*I*n cooperation with the State of Connecticut
Department of Social Services Elderly Services

Division, the Connecticut Housing Finance Authority (CHFA)

has set aside funds to make Reverse Annuity Mortgage loans.

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?

- A. It is a first mortgage loan that allows low to moderate income Connecticut senior citizens to use the equity in their homes to provide a monthly tax-free cash payment.

(Note: If financing for long term care is needed, please see page 8 for additional program features.)

Borrower Eligibility

Q. Who is eligible for a RAM loan?

- A. A homeowner who is 70 years or older, whose household income does not exceed the CHFA RAM income limit and whose home is eligible.

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 RAM income limit for the state?

- A. \$26,000*

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 (unadjusted 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.

* See increased limits under the Long Term Care Program Features.

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, a condominium unit, or a PUD (Planned Unit Development).

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 the RAM loan closing. CHFA will consider the home to be clear of any existing mortgage if such mortgage is subordinated to the RAM loan. The sum of the RAM loan and subordinated mortgage cannot exceed 70% of the appraised value of the home. The RAM loan can provide up to \$5,000 to clear any liens. However, 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 as long as your payments on the assessment are current at the time of closing.

Q. Is there a maximum appraised value of 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. The value of the home determined by the second appraisal will be conclusive.

Loan Description

Q. How does the RAM loan work?

A. You receive a loan in an amount up to 70% of the appraised value of your home. The maximum loan amount is \$203,100 which is 70% of a home appraised at \$290,200. Loan payments are made to you on the first day of every month for ten years.

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

A. No.

Q. Can this ten-year period be reduced in order to increase the monthly payment?

A. Yes. You can have a five-year payment period if all applicants are 80 years or older or if at least one applicant is eligible for the long term care program features. Please see page 8 for eligibility requirements.

Q. Can I receive a lump sum payment at the outset of the loan and reduce the regular monthly payment?

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, etc.)
2. Repairs or improvements to the home
3. Medical expenses
4. Paying outstanding bills

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

A. For a ten-year payment period, a lump sum payment will reduce the amount of the monthly payment that you will receive by a little more than \$10 for each \$1,000 of lump sum payment. For example, a \$3,000 lump sum payment will reduce the monthly payment by approximately \$31. For a five-year payment period, you will reduce the amount of the monthly payment by a little more than \$18 for each \$1,000 of lump sum payment.

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. 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 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 CHEFA will not escrow for real estate taxes and insurance premiums, CHEFA 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 ten-year payment period would be \$105,000 comprised of \$1,500 of closing costs and approximately \$71,916 of monthly payments and \$31,584 of interest. At the end of a five-year payment period, the amount owed 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. CHEFA 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 CHEFA would continue to carry the loan balance without requiring you to pay interest monthly. However, interest would continue to accrue on the loan balance each year until the loan is repaid in full.

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

A. CHEFA may have 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 RAM loan 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. 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.

Program Features Regarding Long Term Care

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 acceptable under the additional program features of LTC?

- A. The costs of:
- Hospitals
 - Convalescent nursing homes*
 - Homes for the aged*
 - Rest homes with nursing supervision*
 - 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 or catastrophic medical expenses and prescription drugs

* At least one borrower must occupy the primary residence.

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

A. Please call the pre-recorded, 24-hour interest rate line 1-860-571-3571 for the current RAM interest rate. The interest rate is locked in for the duration of the mortgage at the time of application.

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?

A. The table below provides examples of monthly payments for both a 5-year payment period and a 10-year payment period.

Here is an example assuming the interest rate is 7.0% (7.1% APR).

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
\$100,000	\$ 70,000	\$ 343	\$ 292
125,000	87,500	433	381
150,000	105,000	522	471
200,000	140,000	702	650
250,000	175,000	881	830
295,800	290,200 or higher	1,025	974
	203,100 ^{207,000}	1045	994
5-Year Payment Period*			
\$100,000	\$ 70,000	\$ 896	\$ 803
125,000	87,500	1,127	1,034
150,000	105,000	1,358	1,265
200,000	140,000	1,821	1,727
250,000	175,000	2,283	2,190
295,800	290,200 or higher	2,654	2,561
	203,100 ^{207,000}	2706	2612

* A 5-year payment period is an option only for applicants 80 years of age or older, or those applying for Long Term Care features.

Q. Will my monthly payment always stay the same?

- A. Every year the monthly payment that you will receive increases by 3% in order to help you meet any increased living costs.

For example, an initial \$1,025 monthly payment grows to be \$1,338 in the tenth 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 RAM loan you continue to own your home and benefit from any appreciation in value.

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 ten-year period is over?

- A. Yes, but the monthly payments would stop and 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 outstanding balance of the RAM loan would have to be repaid.

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

- A. The monthly payment continues to the surviving spouse.

Q. Who assesses the need for LTC?

- A. A representative from an independent social services agency will assess a need for LTC.

Q. What are the RAM program features which are designed to help meet LTC costs?

- A. 1. The maximum optional lump sum payment is \$25,000 (instead of \$5,000) if the additional funds over \$5,000 are related to LTC costs of the borrower and/or the spouse.
2. At your option, the RAM payment period may be shortened from ten years to five years thereby increasing the monthly payment by approximately 2.6 times.
3. If there is a need for LTC but your household's income exceeds the RAM income limit, but such income is no more than twice the limit, and the income is insufficient to meet the LTC costs, a RAM loan may be permitted.

Loan Application

Q. How do I apply?

- A. You must apply to the Connecticut Elderly Services Division of the 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 at your home 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. 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, title search, title insurance, legal fee and recording costs	900
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	\$1,500

At your expense, you must retain your own attorney.

Q. If my loan application is approved, what legal papers will I have to sign?

- A. 1. RAM Loan Agreement
2. Mortgage
3. Note
4. Truth-In-Lending Disclosure Statement
5. Notice of Right to Cancel

Q. Where can I get further information on the RAM program?

A. State of Connecticut Department of Social Services

Elderly Services Division
25 Sigourney Street, 10th Floor
Hartford, CT 06106-2055
(860) 424-5280
Toll-free 1-800-443-9946

or

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



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

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