

# CCLT Board Approved-6-13-2017

## COLUMBIA COMMUNITY LAND TRUST HOME BUYER SELECTION POLICIES & PROCEDURES

### I. OVERVIEW

This policy is intended to guide both general and project-specific homebuyer selection procedures administered by the Columbia Community Land Trust (CCLT). This policy shall be reviewed at least annually by the CCLT Board of Directors for effectiveness in guiding the CCLT in the pursuit of its mission.

### II. GOALS

The goals of the CCLT that these policies are intended to support are:

- a) To provide as wide a range of opportunities as possible for low and moderate income people to secure housing that is decent, safe and affordable;
- b) To ensure the preservation of the quality and affordability of housing for future low and moderate income residents of the community;

### III. SELECTION CRITERIA

#### A. THRESHOLD SELECTION CRITERIA

The following criteria reflect the CCLT's goal to reasonably match household size to unit size and household income to housing costs. [Note: some funding sources which the CCLT may rely on to develop its housing opportunities establish maximum eligible incomes of between 50% to 80% of the area median. See Appendix 3 for CCLT's "Resource Allocation Policy"]

1. Citizen of USA or registered alien.
2. Dependent students are eligible if they are over age 23, a veteran, a ward of the Court, or a graduate student with a B.A. or B.S. degree.
3. Income Eligibility -
  - a) Maximum Income: To be considered for selection, a household must have an annual income which does not exceed 80 % of the median income of households of equal size residing in the statistical area (as defined by the U.S. Department of Housing and Urban Development or its successor agency) within which the housing unit is located. There are, however, three exceptions that will be considered:
    - (1) Households at any income level who wish to place land which they own in the CCLT, or;

- (2) who wish to undertake a sale-leaseback arrangement with the CCLT, or
- (3) who agree to be bound by the CCLT's resale restrictions.

4. Creditworthiness: In all cases, a household must be able to demonstrate a sense of ownership of its financial obligations, and a history of responsible effort to meet them. The household, must be "pre-qualified" through the CCLT's application process to determine whether mortgage financing is likely to be obtained by the household based on the applicants available cash resources and the known requirements of various mortgage programs for which the household may be eligible. The applicant must have an average combined credit score within 20 points of the current Fannie Mae and Freddie Mac credit requirements.

a) Minimum Income: To be considered for CCLT's homeownership opportunities, a household's monthly income, when multiplied by the appropriate debt-to-income ratio, must be sufficient to support the housing costs for the housing opportunity in question. In general, households that require a cosigner in order to obtain a mortgage will not be considered.

(1) Affordability - (i.e. matching household income to housing cost). In general, affordable means that the monthly cost of occupying a particular housing unit does not exceed 35% of monthly household income, and monthly housing costs and total debt payments do not exceed 45% of monthly household income.

(2) Assets - To be considered for CCLT's homeownership opportunities, a review of a household's financial resources and circumstances should clearly indicate a limited ability to compete successfully in the conventional housing market, however applicants with more than \$15,000 of liquid assets available for the purchase of a home are ineligible. The applicant is also required to provide \$500 toward the purchase, from the buyers own funds.

## **B. SECONDARY SELECTION CRITERIA**

The following circumstances, not necessarily in order of priority or importance, will be considered in those instances when there are two or more households expressing interest in a particular unit and who meet the Threshold Eligibility Criteria outlined above.

1. First-come first served: First applicants submitting a complete application and demonstrating the ability to qualify for a mortgage in a manner that satisfies requirements stated in Section "A. Threshold Selection Criteria."
2. Application on File. Length of time which a household's application for home ownership has been on file.

## **IV. APPLICATION PROCESS**

This process is not necessarily sequential in nature, however each component of the process is essential to ensure that each of the CCLT's prospective home buyers is fully informed as to the fundamental details and atypical nature of the CCLT's real estate transaction (i.e. involving a leasehold interest in the land and restrictions imbedded in the ground lease agreement on the resale of the improvements located on the leased premises.)

A. OUTREACH & MARKETING. Applicant responds to project specific marketing or general community outreach by contacting any one of the following for project specific, or general (as the case may be), information.

1. Columbia Community Land Trust

B. INFORMATION/ORIENTATION SESSION. Applicant is advised of the next periodically scheduled CCLT information/orientation session. Attendance at one or more of these sessions is required.

C. APPLICATION REVIEW. Applicant is provided with an application form to complete and return to CCLT staff. Assistance with filling out application will be provided by staff on an as-needed basis. Application is reviewed by staff in comparison to established threshold and secondary criteria. Staff determines whether applicant is likely to qualify for currently available housing units (or for the general waiting list, as the case may be).

D. HOME BUYER TRAINING. Applicant is directed to periodically scheduled sessions conducted by the City of Columbia. Applicant is advised to meet with local lender for a mortgage "pre-qualification" session to determine whether applicant is likely to obtain mortgage financing approval.

E. PRELIMINARY APPROVAL / DENIAL. Following mortgage "pre-qualification", and verifications, CCLT Board of Directors may preliminarily approve or deny an application. Qualified individuals/households will be so notified and placed on a waiting list to participate in the selection process for particular housing opportunities, as they become available. Applicants that do not meet application criteria will be so notified in writing. Staff or Selection Committee may provide tips or advise on how the applicant may improve financial or other obstacles to a successful application.

F. SELECTION PROCESS. The selection process for each housing opportunity may vary depending on the number of eligible and qualified persons on the waiting list relative to the number of housing opportunities available at a particular time. In general the selection process will be conducted according to the steps outlined in Section V below.

G. PURCHASE AND SALES CONTRACT / FORMAL MORTGAGE APPLICATION / ADVANCED ORIENTATION SESSION. The applicant and the CCLT Board President sign a purchase and sale agreement. Applicant applies for mortgage financing. A detailed review of the CCLT Lease and other legal documents associated with a particular transaction is scheduled with applicant.

H. MORTGAGE APPLICATION PROCESSING AND CLOSING Applicant moves through the mortgage application and approval process.

I. INDEPENDENT LEGAL REVIEW. Applicant must retain, at applicants expense, an attorney who reviews all the CCLT legal documents on behalf of applicant and who provides independent advise and counsel regarding the transaction.

## V. SELECTION PROCESS

### A. WHO MAKES THE DECISION

#### 1. Regarding Threshold and Secondary Eligibly Criteria -

- a) CCLT Staff – CCLT staff shall make a recommendation to the Board of Directors in a form acceptable to the Board regarding whether an application will be placed in the qualified applicant pool.
- b) Board of Directors - The Board of Directors will have final say as to whether an applicant meets the threshold and/or secondary criteria discussed herein.

#### 2. Regarding Credit Risk and Overall Creditworthiness -

- a) The mortgage underwriting guidelines of the lending programs available to the CCLT's qualified home buyers shall be the deciding factors regarding credit risk and the overall creditworthiness of a particular applicant

### B. HOW IS DECISION MADE

#### 1. Regarding Threshold and Secondary Eligibly Criteria -

- a) Using the definitions found in Appendix 1 and considering the resource allocation policy in Appendix 3, staff will review both project-specific applications and general interest applications to determine whether the Threshold Criteria outlined above have been met. Applicants to be selected will come from among those who meet **all** of the Threshold Eligibility Criteria.
- b) Once this pool of applicants is used up, or if there are more eligible and qualified applicants than housing opportunities available, applications will be considered based on a review of the Secondary Selection Considerations.

#### 2. Regarding Secondary Selection Considerations -

- a) Staff will provide to the CCLT Board of Directors a summary of its findings along with each applicant's application.

## APPENDIX 1 - DEFINITIONS

The Columbia Community Land Trust (CCLT) has adopted the following definitions for the purposes of assessing affordability and monitoring its ability to achieve its goals.

"Affordable" means that the monthly Occupancy Cost of a particular housing unit generally does not exceed 30% of household income. (See discussion of Housing Costs, defined below, for exceptions regarding single-family ownership housing.)

"Debt-to-Income Ratio" (DTI) means the maximum percentage of income which a particular lender will allow a household to spend on Housing Costs.

"Household" means a person, or group of persons who occupy the same housing unit as their primary residence.

"Median Income" shall be as set forth in regulations promulgated from time to time by the United States Department of Housing and Urban Development (HUD) pursuant to 42 U.S.C. Sec. 1437 *et seq.*

"Moderate Income" shall mean a household whose combined gross annual income, adjusted for Household Size (defined below), does not exceed 80% of the Median Income for the Statistical Area within which the housing is located as defined by HUD or a successor agency.

"Low Income" shall mean a household whose combined gross annual income, Adjusted for Household Size, does not exceed 50% of the Median Income for households of that size residing in the Statistical Area within which the housing is located.

"Very Low Income" shall mean a household whose combined gross annual income, Adjusted for Household Size, does not exceed 30% of the Median Income for households of that size residing in the Statistical Area within which the housing is located

"Statistical Area(s)" shall be as set forth in regulations promulgated from time to time by the United States Department of Housing and Urban Development (HUD) pursuant to 42 U.S.C. Sec. 1437 *et seq.*

"Housing Cost": shall mean:

1. When measuring the affordability to a known household of a known unit size:

A. for "Single-Family" Ownership: the sum of the monthly payments due on

- the mortgage (principal & interest); plus
- the property taxes due on the property; plus
- the hazard insurance policy; plus
- the Ground Lease Fee, if applicable; plus
- the repair and maintenance serve fund fee.

[NOTE: The debt-to-income ratios dictated by the underwriting guidelines for a particular mortgage program shall be controlling for the purpose of determining the maximum percentage of income allocable to these monthly Housing Costs.]

2. When calculating the affordability of projected occupancy costs for a particular unit, (for example to determine or establish a purchase price or rent level), the CCLT will make the following calculations:
  - A. The controlling Debt-to-Income Ratio for households of the appropriate size will be determined (Housing Debt to Income Ratio is 35% and Total Debt to Income Ratio is 45%).
  - B. Prevailing property tax assessments, insurance rates and condominium association fees (as applicable) for comparable properties will be examined and deducted from the controlling percentage of income allocable to occupancy costs in order to determine the amount of household income remaining to make a mortgage payment.
  - C. Prevailing loan terms and interest rates of the State's Mortgage Revenues Bonding Authority (usually the state housing finance agency) will be used to calculate the maximum mortgage amount which could be amortized by a payment of this size.

The amount resulting from these calculations will be the maximum purchase price considered to be affordable to the desired household income level.

## **APPENDIX 2 - HOME BUYER / LEASEHOLDER APPLICATION**

See City of Columbia Housing Programs Application.

### **APPENDIX 3- RESOURCE ALLOCATION POLICY**

100% of the CCLT's resources will be dedicated to benefit households earning at or below 80% of the median income (adjusted for household size in Boone County – see attached chart) to the extent such allocation is not inconsistent with conditions or restrictions placed on the use of such financing by those providing the financing.



**APPENDIX 4 - Current AREA MEDIAN INCOMES BY HOUSEHOLD SIZE (U.S. Department of Housing and Urban Development)**

<b>U.S. Dept. of HUD: 2017 Income Limits: 80% AMI</b>	
1 Person	\$41,650
2 Person	\$47,600
3 Person	\$53,550
4 Person	\$59,500
5 Person	\$64,300
6 Person	\$69,050
7 Person	\$73,800
8 Person	\$78,550