



COMMUNITY LAND TRUST

HOMEBUYER SELECTION POLICY AND RESALE POLICY

Overview:

The difference between the rate at which incomes rise and the rate at which market- priced housing costs rise creates an affordability gap and hardship for most working households. The HRA of Itasca County (“HRA”) believes that plentiful affordable housing is a just and appropriate social goal which every community should value and actively pursue.

Goals:

The HRA goals, which these policies are intended to support, are:

- to develop a stock of affordable, single-family for-sale housing in Itasca County;
- to ensure that such housing remains affordable in perpetuity to meet the future housing needs of low- and moderate-income households in Itasca County;
- to find the best match between households and housing units that are the right price and the right size.

Selection Criteria:

- A. **Initial Application Period:** Once a price for a new home(s) is/are established, the HRA will list the home(s) on the Multiple Listing Service (MLS). The HRA will accept applications for fourteen (14) days (“initial application period”) from the date of the listing on the MLS until the HRA’s Close of Business on the last day of the initial application period.
- Following the initial application period, HRA staff and the selection committee will use the Selection Policy Threshold and Secondary criteria (as outlined below) to evaluate the completed applications received during the initial application period.
 - An application will be considered complete when the buyer has completed the following three steps: (1) Completed the Land Trust Program Application; (2) provides documentation that verifies income eligibility; and (3) Is pre-approved for a mortgage from a participating lender.
 - If multiple homes of the same design and location are listed for sale at the same time, applicants will be allowed to indicate home preference but will not be guaranteed the preferred home will be the home offered to them. All other Secondary criteria being equal, the completed application with the earliest date and time, will be offered their home choice first.
 - If there are no buyers who have completed applications at the end of the initial application period, from that point forward the home will be offered

to the first buyer with a completed application, and the Secondary Criteria will not be applied.

- Prior to closing, buyers will be required to attend a Community Land Trust Program orientation session that will be conducted (remotely) by staff from One Roof Community Housing in Duluth, MN.
- Prior to loan closing, the buyer must obtain a Certification of Completion from a Homestretch Homebuyer Education class offered by KOOTASCA Community Action, One Roof Community Housing, or Framework.

B. Threshold Criteria:

The following criteria reflect the HRA's goal to match household income to housing costs.

- Affordability: (i.e. matching household income to housing cost)
Affordable means that the monthly cost of occupying a particular housing unit (PITI plus land lease fee) is at least 25% of the household's monthly gross income and does not exceed 38% of monthly household income. Determining the affordability of owner-occupied housing may vary according to the percentage of income which the mortgage lender will allow for housing costs. While the 38% threshold is the guideline for affordability, the HRA may choose to consider an applicant whose housing expenses exceed 38% of their gross monthly income if the applicant has been accepted for a mortgage by an approved lender.
- Income Eligibility: 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.
 - Maximum Income: To be considered for selection, a household must have an annual income which does not exceed the Impact Fund Income Limits per the funding award.
 - Minimum Income: To be considered for selection, a household must have sufficient income to support the housing costs and have been pre-approved for a mortgage by an approved lender.

C. Secondary Criteria: The following circumstances will be considered when there are two or more households expressing interest in a particular home and who meet the threshold criteria outlined above.

1. Residency: Selection preference must be given to buyers who live or work in Itasca County. Non-county residents/ those working outside the county can only be selected if no (or not enough) qualified applicants meet the residency preference criteria.
2. Attributes: Scoring points will be given to those who qualify for the below as noted:
 - First generation homebuyers: Buyer(s) and buyer's parents or guardians have never owned a home. (1 point);
 - Underserved populations, defined as households with disabled individuals, or households headed by single parent/legal guardian to a



- minor child (1 point);
- First time homebuyers- those who have never owned a primary residence or have not held title to a home within 3 years (1 point);
- Household Size: Efforts will be made to match household size with unit size. Guideline (1 point):

Unit Size	Household Size
1-BR	1 - 2 persons
2-BR	2 - 4 persons
3-BR	3 - 6 persons
4-BR	4 - 8 persons
5-BR	5 - 10 persons

Selection Process:

HRA staff will make the decision regarding an applicant’s eligibility using the Threshold Criteria. Any applicant not meeting the Threshold Criteria will be notified that their application is denied. Those applications meeting the Threshold criteria will be forwarded to the Selection Committee. The Selection committee will then use the secondary criteria to evaluate each application and will approve or deny the applicant based on those factors. A written decision will be provided on all applications.

The mortgage underwriting guidelines of the lending program available to qualified homebuyers shall be the deciding factor regarding credit risk and overall mortgage-ability of a particular applicant.

Each component of the process is essential if the HRA, the Land Trust, and prospective homeowners are to be ensured that each is fully informed as to the fundamental details and atypical nature of the proposed real estate transaction.

The following steps are not necessarily sequential in nature, but generally outline the selection process:

1. Interested households complete an application through One Roof Community Housing website at www.1roofhousing.org.
2. HRA staff will reach out to the applicant to obtain the required income verifications and the mortgage preapproval letter.
3. HRA staff will evaluate each application based on the Threshold Criteria. Those not meeting the Threshold Criteria will be sent a denial letter. Those meeting the Threshold Criteria will be forwarded to the Selection Committee for further consideration.
4. The Selection Committee will review the applications to determine which, if any, of the secondary criteria are applicable and score the application accordingly.
5. In the event there are applications that score the same, the application with the earliest date and time completed will be offered their home choice first.



6. Based on the number of homes available, the top scoring applicants will be selected to conduct an orientation session with staff from One Roof Community Housing. Attendance is required.
7. At any time, during the above process, a potential homebuyer should reach out to the preselected broker/agent or their own selected real estate agent to tour a home.
8. The selected applicant and the HRA sign a purchase agreement. The One Roof land lease and other legal documents are reviewed with the applicant in depth. Earnest money in the amount of \$500 will be required at the time of signing the Purchase Agreement.
9. The purchaser then moves through the mortgage application and approval process. The proposed purchaser must, at their own expense, obtain an attorney to review the One Roof Community Land Trust Land Lease and other legal documents to provide independent advice and counsel regarding the transaction.

RESALE POLICY

The HRA of Itasca County will not administer the resales of these land trust homes. One Roof Community Housing of Duluth, MN will administer the resales. In general, the process will be as follows:

1. The purchase option price at resale will be determined using the resale formula in the land lease agreement.
2. One Roof will identify the original purchase price paid by the seller and the total fee simple appraised value of the property at the time of original purchase. The original purchase price divided by the original fee simple appraised value equals the Original Purchase-to-Value Ratio ("Original PTV"). Upon resale, One Roof will identify the purchase option price and the current fee simple appraised value of the property. The purchase option price divided by the current fee simple appraised value equals the Resale Purchase-to-Value Ratio ("Resale PTV").
3. The overall goal that guides this resale policy is to ensure a fair return for people selling their home while maintaining affordability of the property for the next buyer. To support this goal, our policy is to ensure that the Resale PTV is the same or lower than the Original PTV.
4. Based upon the resale inspection, One Roof may arrange for home repairs or maintenance, provided that the repairs or maintenance needed are not due to gross negligence on the part of the seller. The repairs or maintenance will be paid for by increasing the purchase option price equal to a rehabilitation reimbursement that will be paid by seller to One Roof at closing, provided that the Resale PTV does not exceed the Original PTV. In this way, One Roof continues its role as long-term steward of the home, while continuing to maintain comparable affordability of the property.
5. When the opportunity arises and the need exists, One Roof will seek additional affordability gap subsidy upon resale to benefit the new buyer and all subsequent buyers. If any additional affordability gap is raised, the subsidy will become part of the permanent affordability of the property. Additional affordability gap raised upon resale may not be included when calculating the Resale PTV.
6. One Roof will market all its homes through One Roof Community Realty which will charge the seller up to a maximum 6% realty commission (3% to listing broker, 3% to selling broker)

which can be added to the purchase option price. However, if including the commission causes the Resale PTV to exceed the Original PTV, then One Roof Community Realty will lower the commission to the point at which the Resale PTV matches the Original PTV, down to a minimum commission of 4% (2% to listing broker and 2% to selling broker). In the case where the commission is lowered to the minimum, and the Resale PTV still exceeds the Original PTV, then the seller is responsible for paying that portion of the commission from their proceeds (or loss).

7. If the seller's appraisal upon resale and the buyer's appraisal indicate different values, One Roof will use the values from the buyer's appraisal in the buyer's land lease.
8. One Roof will analyze and record the resale data for evaluative purposes, particularly the percentage of median income needed to acquire the home upon original purchase and upon resale. One Roof will use the data to monitor the affordability of our resales on an annual basis and will potentially adjust the resale policy if the cumulative data indicates a substantial loss (or gain) of affordability.
9. Resales will be managed by One Roof's Community Land Trust Director and Community Land Trust Associate, according to the above policies and procedures. Any exception to the above policies and procedures would need to be approved by the Executive Director.



APPENDIX A

DEFINITIONS

The HRA has adopted the following definitions for the purposes of assessing affordability and monitoring its ability to achieve its goals:

- Buyer(s) are defined as:
 - Anyone who will be on the land lease to the subject Property or signs the mortgage or equivalent document.
 - Anyone expected to reside in the subject Property and who will be obligated to repay an underlying loan but who is not on the land lease to the subject Property (for example, a Co-Signer on the mortgage note).
 - The legal spouse of the borrower who will also reside in the subject Property.
- Household: a person or group of persons who occupy the same housing unit as their primary residence.
- Housing Cost: When measuring the affordability the housing cost is the sum of the monthly payments due on:
 1. the mortgage (principal and interest); plus
 2. the property taxes dues on the property; plus
 3. the hazard insurance policy; plus
 4. private mortgage insurance (PMI), if applicable; plus
 5. the Land Lease Fee, if applicable.
- Very Low Income: a household whose combined gross annual income, adjusted for Household Size does not exceed 30% of the Area Median Income as published annually by the U.S. Department of Housing and Urban Development
- Low Income: a household whose combined gross income, adjusted for household size, does not exceed 50% of the Area Median Income as published annually by the U.S. Department of Housing and Urban Development
- Moderate Income: a household whose combined gross annual income, adjusted for Household Size, does not exceed 80% of the Area Median Income as published annually by the U.S. Department of Housing and Urban Development
- 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.