

## 1477 Lauderdale Sales Methodology

**Mission:** The HOME Program seeks to protect and promote the availability of affordable housing options for low and moderate income households seeking to purchase a home within the City of Lakewood. The three primary goals we seek to accomplish through the sale of these homes are:

- Provide affordable housing to homebuyers meeting HUD income limits for low and moderate income households
- Level the playing field for homebuyers from all walks of life by improving access to credit
- Ensure long term affordability in housing

**Note:** The City reserves the right to reject offers from potential buyers who do not meet the mission and spirit of the program as outlined.

### Requirements to purchase:

- Meet current income guidelines based on household size
- Preference will be given to first time homebuyers with the minimum 1.5% out of pocket downpayment and limited cash assets
- No cash deals will be accepted. Buyers must obtain financing through a current HOME Program lending partner (see [www.onelakewood.com/firsthome](http://www.onelakewood.com/firsthome) for list). Other lenders may be considered on a case by case basis)
- Attend credit counseling through Neighborhood Housing Services, Asian Service or other HUD approved counseling agency
- Buyers must clearly show that the proximity of the property to community amenities and services (examples include schools, transportation, employment, etc...) will improve their quality of life
- Demonstrated commitment to residing in Lakewood for a minimum of ten years, including buyers who may be :
  - Transitioning from low income housing into single family living
  - Participating in homeownership and credit counseling programs that incorporate a savings component
- Buyers are required to provide the City with sufficient income and credit documentation to allow appropriate assessment of the buyer's financial resources to acquire and sustain the property following purchase. Household income, credit score, and outstanding debt are potential areas of review to help the City ensure that the most qualified buyer is chosen.

### Downpayment and closing cost assistance:

- Buyers will receive downpayment and closing cost assistance in the form of a second mortgage at 0% interest, no monthly payment. Funds must be repaid at the time of sale, or if the buyer moves from the property to rent (regardless of how long the property remains owner occupied). The amount of assistance is determined based on the below percentages and need demonstrated by the buyer.

- 15% for households at or below 60% of Area Median Income (AMI) – Example, Household of 4 = \$44,220, in an amount necessary to enable the buyer to meet mandatory lending ratios.
- 10% for households at or below 80% AMI – Example, household of 4 = \$58,950, in an amount necessary to enable the buyer to meet mandatory lending ratios.

**Restrictions** – The City of Lakewood will require repayment of the downpayment assistance in full at such time as the property ceases to be owner occupied. Additionally, to ensure that the property is not re-sold for the sole purpose of profiting from the HUD maximum sales value limitation, the buyer’s agreement will require a Shared Net Proceeds and Pro rata reduction from any future sale for 10 years from the date of closing. The shared amounts will be determined based on the following calculations:

1. To calculate the amount of net proceeds (or shared appreciation) to be returned to the PJ:
  - a. Divide direct HOME subsidy by the sum of the direct HOME subsidy and the homebuyer’s investment,
  - b. Multiply by the net proceeds to calculate the amount of HOME investment to return to the PJ.  $\text{Direct HOME Subsidy} \times \text{Net Proceeds} = \text{HOME Recapture Direct HOME Subsidy} + \text{Homebuyer Investment}$
2. To calculate the amount of net proceeds (or shared appreciation) available to the homebuyer:
  - a. Divide the homebuyer’s investment by the sum of the direct HOME subsidy and the homebuyer’s investment,
  - b. Multiply by the net proceeds to calculate the amount of homebuyer investment to return to the homebuyer.  $\text{Homebuyer Investment} \times \text{Net Proceeds} = \text{Amount to Homebuyer Direct HOME Subsidy} + \text{Homebuyer Investment}$

**Income Guidelines:**

| 2019 Income Guidelines |                          |
|------------------------|--------------------------|
| Household Size         | Maximum Household Income |
| 1                      | \$41,300                 |
| 2                      | \$47,200                 |
| 3                      | \$53,100                 |
| 4                      | \$58,950                 |

*\*2019 Income Guidelines effective as of 6/28/19*

**Additional –**

- Realtors will be asked to reinforce City requirements to ensure understanding to the extent feasible among all potential buyers