City of Boulder
Housing Division

Real Estate Agent Guide

Homeownership Program

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Equal Housing

In accordance with the provisions of the Equal Opportunity Act and the Boulder County Homeownership Programs' policies, there will be no discrimination against an applicant for these benefits on the basis of age, source of income, sex, race, marital status, sexual orientation, national origin, religion or handicap.

Welcome!

Dear Real Estate Professional,

We are pleased you are working with a buyer or owner in City of Boulder's Affordable Homeownership program! This is a great community in which to live, and Boulder has taken steps to ensure an inventory of permanently affordable homes and opportunities for ownership in our community.

The City of Boulder makes homes affordable through regulations and subsidies. As such there are a number of responsibilities to which program buyers and owners commit. This manual was developed to provide a program overview to Realtors, while giving specifics about the city's requirements and timeframes for approving and drafting documents for closing.

During the sale one city staff member will be assigned to the transaction. This staff member is charged with protecting the interests of the community, the buyers, and the sellers. It is their objective to be fair and neutral throughout. You should not hesitate to notify them with questions, or if you need assistance.

Sincerely,

The Homeownership Program Team
City of Boulder
Division of Housing

City of Boulder Homeownership Programs
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Equal Housing

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Homeworks Permanently Affordable Program - Overview

Below is an overview chart for the Homeworks Permanently Affordable Program. More program details follow.

Homeworks Permanently Affordable Program: Eligibility Requirements			
LOW-to-MODERATE INCOME HOUSEHOLDS	**Family Size**	**Income Limit**	**Asset Limit**
	1	$53,040	$55,000
	2	$60,660	$70,000
	3	$68,200	$85,000
	4	$75,740	$100,000
	Inquire for larger family sizes and see below for special asset scenarios		
MIDDLE INCOME HOUSEHOLDS	**Family Size**	**Income Limit**	**Asset Limit**
	1	$80,880	$140,000
	2	$92,500	$155,000
	3	$104,000	$170,000
	4	$115,500	$185,000
	Inquire for larger family sizes and see below for special asset scenarios		
INDIVIDUAL SCENARIOS THAT AFFECT ASSET LIMITS	**Scenario**	**Asset Limit**	
	Recently Divorced	$85,000	
	Retired	$85,000	
	Permanently Disabled	$140,000	
	Additional Family Members	$15,000 added per person	
FEE	$25.00 application fee		
DEBT-TO-INCOME RATIO	Debt-to-Income ratio may not exceed 42% in most cases.		
BUYER'S MINIMUM CASH CONTRIBUTION	Buyers are required to contribute at least $2,000 of their own money. Lenders may have requirements beyond this minimum.		
HOMEBUYER EDUCATION	To participate in the program each household must attend a city orientation, and a homebuyer education class approved by the Colorado Housing Finance Authority (CHFA). These classes are also available on-line. • The city orientation is required prior to turning in an application. • The CHFA-approved Homebuyer class is required prior to closing. Applicants may submit a Selection Process Entry Form or a contract if their full application documentation has been received and approved, but the homebuyers class has not yet been completed.		

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LENDER/MORTGAGE LOAN	Applicants must submit as part of their city application packet: • Copy of the mortgage loan application (as prepared by their lender, not handwritten) • Mortgage Preapproval Letter that lists maximum purchase price, loan amount, minimum down payment, estimated PITI, interest rate, and loan type
FIRST-TIME HOMEBUYER REQUIREMENT	• No requirement • Buyers may have owned a home in the past, or still own a home at time of application • Buyers must sell their home before closing on a Homeworks Permanently Affordable home
RESALE RESTRICTIONS	• Homes must be re-sold to an eligible buyer after a fair marketing period • Resale price will be based on the original purchase price, plus annual appreciation (up to 3.5% per year) and approved capital improvements
OTHER REQUIREMENTS	• At least one person in the household must work 30 or more hours per week • Property must be owner-occupied • Number of bedrooms may exceed number in household by one in most cases • Buyer must adhere to all covenant restrictions (a copy of the covenant is available upon request)

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City of Boulder Affordable Covenant Summary

All Homeworks Permanently Affordable homes come with affordable covenants that ensure the homes remain affordable into the future. The buyer must accept all terms of the covenant to be eligible to purchase the home.

Covenant Key Points

- The maximum income of a new buyer will be established in advance of sale or re-sale, and the home may not be sold to a buyer that exceeds the maximum income limit.
- The home has a Maximum Resale Price Limit that includes limiting appreciation.
- Buyers are required to maintain their affordable home in a manner that protects the health, safety and livability for the home's future owners.
- Eligible capital improvements for which a homeowner can receive credit are limited in amount and type, and must be pre-approved by the city to receive credit.
- The ability to refinance is limited to 93% of the Maximum Resale Price Limit. The city must be contacted prior to arranging refinancing with a lender to ensure this limit is not exceeded.
- The home must be occupied by the owner unless the city has approved a rental arrangement.
- The home cannot be rented in its entirety during the first five years of ownership.
- After five years of ownership, the home may be rented for one year out of every seven. The city needs to be contacted before this is done.
- A bedroom in the home may be rented at any time of owner occupancy, providing no city codes are violated.

A full version of the Covenant is available by request. For a copy, please email us at homeownership@bouldercolorado.gov.

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Working with Program Buyers

Buyers in the program will need to follow this process as they work to purchase a home:

Step One: Attend Orientation
Orientation is the first step in the process so buyers can decide if this program is the right fit for them. This class will help buyers understand the eligibility requirements, application process, and their rights and responsibilities as an owner in the program.

A one-hour class is offered in person once per month, or a 40-minute on-demand version is available online. Details can be found on our website.

Step Two: Contact a Lender
The city requires a pre-approval letter and a copy of a loan application as part of the program application. A list of lenders is on our website, though one is not limited to lenders on this list. If one chooses to work with a lender not familiar with the program please direct them to the "For Lenders" section of our website.

Step Three: Submit an Application
Complete the Boulder County Homeownership Programs Common Application. One will need to attach all required supporting documentation requested in the application. If it is discovered information is missing from an application submitted this information must be provided with-in 30 days of when the application was originally turned in.

For the purpose of the selection process application deadlines, we will not consider an application complete until all documents listed in the application have been received.

The Boulder County Homeownership Programs Common Application enables applicants to apply to all of the following homeownership programs: City of Boulder, Thistle Communities, and Boulder County Down Payment Assistance Program. We will share an application with other programs as indicated by the applicant on the application cover page.

Step Four: Attend the Homebuyer Education Class
The Homebuyer Education class must be completed by buyers before closing. For Shared Appreciation Loan/H20 borrowers or those with higher debt ratios this class needs to be completed before going under contract. The best time to take this class is while one is looking at homes. The class will provide information about the home purchase and closing process.

Applicants who are or have been a homeowner, still must take this class. The class expires after one year, so if an applicant does not purchase a home in that timeframe they will need to take the class again.

Links to in-person and on-line versions of the class can be found on our website.

Step Five: Shopping for a Home
Households qualify for the Homeworks Permanently Affordable program should look at our website for a list of currently available homes. Homes listed in the past 30 days are on the "Newly Listed" page, but

other homes are available and listed by the number of bedrooms. A real estate agent can help set up showings, and open houses will be listed on our website.

Households qualifying to use the Shared Appreciation Loan (H2O) can work with their real estate agent to look at market rate homes in the City of Boulder.

A list of Realtors is on our website, though one is not limited to Realtors on this list. If one is working with an agent not familiar with the program, they should be directed to the "For Realtors" section of our website.

Step Six: Recertifying and Going Under Contract

The preliminary program certification is valid for six months. At the end of six months, applicants may recertify for free. The only item that can be updated during a period of certification is a change of address. Changed to income, assets and other household demographics will be adjusted at the end of the six months if an applicant recertifies.

Once an applicant has a signed contract to buy a home, the city will review the contract, inspection, loan, and other buyer documents. If these items meet program requirements we will issue a “final certification” letter.

Once an applicant has received final certification, they are eligible to purchase/close on the home. At closing buyers will sign documents prepared by the City of Boulder, including the Covenant. To prepare for closing buyers will meet with a City of Boulder Homeownership staff member approximately one week before closing to review these documents.

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Selling an Affordable Home: A Step-by-Step Guide

These procedures were put in place to ensure another member of the community can benefit from the affordable housing program when an owner is ready to sell. Below are the steps to selling a Homeworks Permanently Affordable home, as well as things to keep in mind regarding the covenant recorded with these homes. Once we have received the owners "Intent to Sell" form (found on our website) a Homeownership Team member will be assigned to the sale. This person will be designated to work with the owner and their agent until the home has changed ownership.

STEP ONE: DECIDE TO SELL WITH OR WITHOUT AN AGENT. Seller can choose to work with a professional real estate broker, or they can sell the home themselves. In either case, the maximum resale price will be increased by a set amount to help cover some marketing and closing costs.

Option One: Work with a Professional Real Estate Broker: Sellers may work with any realestate agent they like. If a seller chooses this option then we will add a 2.5 percent commission, to be split between seller's and buyer's agent, and $650 for closing costs to the resale price. The city's website maintains a list of participating real estate agents who are familiar with our programs, though sellers are free to work with any real estate agent they choose. If the commission exceeds 2.5 percent, or the seller's closings costs exceed $650, these costs will not be added to the resale price. These additional costs will come out of the seller's proceeds from the sale.

Option Two: Seller Sells the Home by Themselves (For Sale by Owner): In this scenario, the seller markets the home, schedules showings for the property, and handles the contract responsibilities. The city does not represent the buyer or seller, or offer assistance with the real estate aspects of the sale. Sellers will likely hire a real estate attorney to help with the contract and other legal documents.

If a seller chooses this option then we will add $550 for marketing and sales expenses and $650 for closing costs to the maximum resale price. If the marketing and sales expenses exceed $550, or the closings costs exceed $650, any additional costs will not be added to the resale price. These additional costs will come out of the seller's proceeds from the sale. There is a checklist is in the appendix to help those that wish to sell the home without the assistance of a real estate professional.

STEP TWO: INSPECTION. The covenant attached to the Homeworks Permanently Affordable homes requires owners maintain the home in good, safe and habitable condition. To ensure adequate maintenance has been carried out the home will be inspected. The owner will be given the option to repair items that do not meet this standard or reduce the resale price. There are two inspection choices:

Option One: City Inspection Before Listing and Buyer's Inspection After Going Under Contract

> If a seller chooses to have the property inspected before listing then the city-contracted inspector will check for damage and maintenance issues. The inspection will happen before we calculate the maximum resale price, and will be scheduled within two weeks of receiving the

sellers Intent to Sell form. After reviewing a copy of the inspection report, we offer sellers the opportunity to fix items needed to restore the home to a good, safe and habitable condition. If a seller chooses to not make the repairs then the maximum resale price of the home will be reduced to cover the cost of repairs for the buyer.

The buyer will also be required to have an inspection after going under contract to purchase the home, so sellers will have two inspections performed if they choose this option. If the buyer's inspection turns up items that need correction (even if they did not show up in the city inspection) then the city will require seller correct those items as well.

Pro of this option: Sellers can enter into the sale knowing that their home is adequately repaired. There is no expense to the seller, as the city will pay for the first inspection.

Con of this option: Extra time is required before listing a home to accommodate the inspection and any repairs.

Option Two: Buyer's Inspection After Going Under Contract

Sellers can choose to forgo the city inspection and only have a buyer's inspection. If a seller chooses to wait for the buyer's inspection, they agreeing that the maximum resale price of the home may decrease based on the buyer's inspection. We will review a copy of the buyer's inspection and the city will determine what items must be repaired to restore the home to a good, safe and habitable condition. The seller will be asked to make any repairs, or reduce the sales price, based on the findings of the inspection.

Pro of this option: This alternative allows us to more quickly calculate the maximum resale price and list the home.

Con of this option: Waiting for the buyer's inspection postpones correcting issues until after a buyer has been found, and could delay a closing.

STEP THREE: SUBMITTING THE "INTENT TO SELL" FORM. The "Intent to Sell" form is on our website and should be submitted at least 60 days prior to when the seller would like to close on the sale. Once this is received, we will send the seller a letter containing the maximum resale price or schedule an inspection if needed.

STEP FOUR: MARKET AND SHOW THE HOME. The covenant on most Homeworks Permanently Affordable homes requires sellers abide by fair marketing procedures. In order to ensure fair public access to limited affordable homeownership opportunities, the city has developed standard marketing procedures.

Sellers must market their home for a minimum of 30 days to all potential buyers. This open market period generally begins within five days of receiving written notice of the seller's intent to sell, along with the City Website Marketing Information form.

Equal Housing

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The seller's property will be listed on our website. To create this online listing we will use information from the City Website Marketing Information Form submitted by the seller along with photos. The information included in this form must be accurate and complete before we can list the home.

During the Open Market Period, sellers must advertise at least twice in a local daily general publication ***or*** list their home on the Multiple Listing Service (MLS). The Division of Housing will also post the home on our website and may notify specific groups of income-certified buyers by email. The marketing period cannot begin until the seller's ads are scheduled (if the owner is not working with an agent) and we have posted the home on our website.

The seller or seller's agent must arrange to show the home by appointment to all interested buyers o*r* schedule open houses. If the seller chooses not to show by appointment, they must select at least two dates for open houses. One must be during the first two weeks of the open marketing period so new applications can be turned in by the deadline. One open house needs to be within the last two weeks of the end of the marketing period and one open house must be during evening hours. Sellers should keep a list of all buyers who see the home.

Sellers may not commit to sell to any buyer during the Open Market Period.

Home must be sold to a program-qualified buyer and cannot be sold for more than the maximum price allowed. Interest in buying affordable homes varies, just as with market-rate homes. A seller's home will be competing with other affordable homes, both new and resale.

The seller's property will be listed on our website. To create this online listing we will use information from the City Website Marketing Information Form submitted by the seller along with photos. The information included in this form must be accurate and complete before we can list the home.

STEP FIVE: FAIR SELECTION PROCESS, AVAILABLE HOMES, AND GOING UNDER CONTRACT

Fair Selection Process: Newly listed homes (both new development and resale properties) have a required 30-day marketing period. At the end of the marketing period a selection process is conducted on a published date. This date will be 30 days after the listing becomes public on our website.

During the 30-day marketing period, prospective buyers will view the home. Interested households will submit a Selection Process Entry Form. This form is only accepted from households that have been certified to purchase in the program. If a prospective buyer has not been certified by the program they will have time at the beginning of the 30-day open marketing period to turn in their application. At the end of the marketing period, the households that submitted forms are grouped into the following tiers:

#1 - live + work + certified with the program for one year or more
#2 - live + work
#3 - work + certified with the program for one year or more
#4 - work only
#5 - live + certified with the program for one year or more
#6 - live only
#7 - does not live or work in the City of Boulder + certified with the program for one year or more
#8 - does not live or work in the City of Boulder + certified for the program for less than one year

The household in the highest tier will have the first opportunity to make an offer on the home. If they pass, the opportunity falls to the person in the next highest tier, and so on.

If there is more than one household in a particular tier, a lottery will take place among those in the tier. At the end of the selection, everyone who entered will be ordered based on their tier and any lottery within a tier.

Some homes may have unique preferences based on home features, such as being family friendly (more space and/or a yard for households with at least one minor dependent) or accessible (preference given to those with physical disabilities for a home that has specific design features). These designations are listed on the city's web page for each home.

The fair selection process is administered by the Division of Housing. Anyone is welcome to witness the process. The results of the selection process and instructions will be shared with the seller's agent or the seller if they are not working with an agent. They will use this information to begin the contracting process.

If a home does not go under contract at the end of the 30-day open marketing period and fair selection process, the home is considered to be "Available." At this point, a program certified buyer could immediately offer a contract, regardless of their preference ranking. Homes with this status will be identified on the website as "Available" and will be categorized based on the number of bedrooms.

Going Under Contract

The seller must allow the highest ranked person in the selection process at least 24 hours to submit a purchase contract. The seller may elect to wait longer than 24 hours for a contract, but is not obligated to do so. Alternatively, after 24 hours without an offer the seller may move to the next highest ranked household in the selection process.

The seller can only reject an offer if:

- it is lower than the maximum resale price
- the buyer currently owns a home, even if it is for sale or under contract (buyers in the program cannot own another home at the time of closing)

The city recommends the seller counter an offer that is lower than the maximum resale price at least once before requesting to move onto the next buyer down on the selection list. If the seller receives a full-priced offer with no contingency of a home to sell but does not agree with other terms of the contract, the city expects the seller to counter at least one time before requesting to move onto the next buyer. Conversely, the seller's counter terms should be reasonable and in the realm of generally acceptable terms for transactions in the program, as determined by the city, before the seller can move onto the next buyer down on the selection list. Please contact us if here are questions about a specific situation.

If a seller refuses a contract then the next highest ranked household in the selection process will have 24 hours from when they are notified of their opportunity to present a purchase contract to the seller. The seller may elect to wait longer than 24 hours for a contract. Alternatively, after 24 hours without an offer the seller may move onto the next person down in the selection process.

Typically 30 days elapse between contract and closing. We require 30 days be allowed from contract to closing unless seller and buyer mutually agree to a different time line. A buyer's inability to close before or after 30 days is not justification for rejecting an offer.

Please include the following additional provision in the contract under "Additional Provisions"

> *Buyer understands this property is covenant restricted. The City of Boulder Division of Housing will provide the Buyer with a copy of the Affordable Housing Covenant by the Title Deadline. Buyer has until the Title Objection Deadline to object to the Covenant terms. If Buyer has no objection, it is assumed he/she agrees to all conditions of such covenant including limitations on resale and occupancy requirements.*

A copy of the final contract should be sent to our office within 48 hours of it being signed. The city will review the terms of the contract to insure it conforms to the program requirements (price, closing timeline, ect.).

STEP SIX: CONTRACT PERIOD AND CLOSING Once a buyer has put a contract on a home they are not eligible to enter other lotteries. The seller and buyer, along with their real estate agents, lender, inspector, appraiser, city program staff, and the title company will work together to complete the transaction.

Once the buyer has had their inspection the city will need to receive it for review. We will determine whether any mandatory corrections will need to be made based on the sellers covenant agreement to maintain the home in good, safe, and habitable condition. If corrections are identified the seller must either repair the items within the timeframe already specified in the contract, or agree to a credit to the buyer if the buyer agrees to make the repairs after closing. The cities inspection requests does not limit the buyer's ability to request the same items and/or additional work under the terms of the sales contract. Our inspection procedures are separate from the buyers.

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In preparation for closing, the city will prepare documents that, at closing, will release the seller from their obligations with regard to the affordable home. These obligations will be transferred to the new owner when they sign the covenant and other city documents at closing.

Other Important Notes:

In accordance with the provisions of the Fair Housing Act and the City of Boulder's Human Rights Ordinance, sellers cannot discriminate against a potential buyer based on their age, sex, race, creed, color, marital status, religion, national origin, ancestry, handicap, sexual orientation or familial status.

Although unlikely to occur, the covenant gives the City of Boulder the right to purchase a Homeworks Permanently Affordable home once the owner informs us of their intent to sell. If the seller decides to list with a Professional Real Estate Broker, the listing contract needs to exempt the Real Estate Broker's commission in the event that the city purchases the home, as it will not be added to the maximum resale price.

Setting the Maximum Resale Value of Permanently Affordable Homes

The resale formula that sets the maximum price strikes a balance between keeping the price affordable and allowing owners to receive a return on their investment in the property. This formula is not tied to the performance of the real estate market. Below is how the city calculates maximum resale values for a majority of the homes in the program. Owners should consult their individual covenant for the specific formula.

A. Start with the original purchase price

B. Subtract the amount of any Solution Grant monies received. This is now considered the purchase price.

C. Each year multiply the purchase price by the percentage change in the most recent Consumer Price Index or Area Median Income (whichever is less) to determine the annual appreciation credit. The maximum increase for any given year is 3.5 percent, while the minimum increase is 1.0 percent.

D. Each year add the appreciation credit to the purchase price.

E. Add the cost of approved Capital Improvements up to the time of listing the home for sale. Improvements to the home may be made at any time by the owner, but only pre-approved and eligible capital improvements will result in a higher selling price (see the Homeowner Manual at www.boulderaffordablehomes.com for the most updated eligible capital improvement list).

F. Deduct the amount of any excessive damage discovered during inspection that the owner is unwilling to repair.

G. Add the amount of the sale commission paid by the Owner, not to exceed the maximum allowable sales commission published by the City Manager on an annual basis.

The owner will not be required to sell below the maximum resale price unless the unit appraises for a lesser value. Market conditions may result in a seller deciding to sell for less than the maximum price.

Example

Home Purchase Price:	$210,000
Solution Grant Received:	-$8,000
Starting Price for Resale:	$202,000
Appreciation Year One (2.3%):	$4,646 ($202,000 x 2.3%)
New Max Resale Price:	$206,646 ($202,000 + $4,646)
Appreciation Year Two (1.8%):	$3,636 ($202,000 x 1.8%)
Capital Improvement Credit:	$3,800
New Max Resale Price:	$214,082 ($206,646 + $3,636 + $3,800)

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Frequently Asked Questions

Can an owner rent their home?
Generally, an owner must live in their home for at least five years before they are eligible to rent. An owner may generally rent for a period or periods of time totaling 12 months out of every seven years of ownership. If an owner intends to rent they should contact us for requirements.

In order to rent a home, an owner may need a Rental License from the City of Boulder. Please be aware that some loans may restrict an owner's ability to rent their home. Owners must also abide by any HOA rental requirements.

How much should a Homeworks Permanently Affordable home be valued at for purposes of property taxes?
The Boulder County Assessor's office recognizes the affordable price as the value of a permanently affordable home for tax purposes. The City Housing Division sends updated values to the Assessor's office annually. If the Notice of Valuation from the Assessor is significantly different from the maximum resale price, please contact us.

How much should a Homeworks Permanently Affordable home be appraised at for purposes of the mortgage loan?
As the city's resale restrictions terminate upon foreclosure, the security value of the home is its unrestricted market value. Appraisers should use standard market comparable properties. Fannie Mae has issued appraisal guidelines to this effect. These guidelines are on the city's website.

What happens in the event of foreclosure?
The city's resale restrictions terminate upon foreclosure. The security value of the home is its unrestricted market value.

Why does the City of Boulder hold a $10 note and deed?
Most of the properties sold through the program have been deemed permanently affordable. In order to be notified of any legal transactions related to the property and to continue to secure the community's interest in the property, the city records a $10 note and deed.

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Appendix - For Sale by owner Check List

Marketing:

- ◻ Consult the open marketing procedures described earlier in this guide
- ◻ Submit an Intent to Sell form and City Website Marketing Information form with photos.
- ◻ Receive Maximum Resale Price from the member the Homeownership Team assigned to the sale. Review the calculation and report any inaccuracies.
- ◻ Once the listing has been made public at www.boulderaffordablehomes.com:
    - Confirm selection preferences for the home if any
    - Confirm maximum resale price
    - Confirm listing information, contact information, and descriptions are all correct
- ◻ Hold open houses or schedule showings as needed.

Contract:

- ◻ Receive selection process results from the Homeownership team member assigned to the sale. Initiate contact with the highest ranked household to initiate the process.
- ◻ If after 24 hours a contract has not been received, the offer is not a full-priced offer, or the highest ranked household has a home to sell then the seller may move to the next person on the list. NOTE: These are the ONLY reasons that a seller may move to another buyer.
- ◻ Use the Colorado Real Estate Commission-approved form when writing a contract.
- ◻ We require 30 days be allowed from contract to closing unless seller and buyer mutually agree to a different time line.
- ◻ Inclusions must include any capital improvements for which credit was given.
- ◻ No more than $2000 earnest money can be requested.
- ◻ Arrange for Title Insurance to cover standard exceptions; ensure that the Homeownership team contact is on the title circulation list.
- ◻ Common Interest Community (HOA documents) review period required.
- ◻ Closing costs split 50/50.
- ◻ Prorate property taxes on most recent mill levy.
- ◻ Liquidated damages provision to be used if Buyer is in default.
- ◻ Include in the contract the city's additional provisions:
- ◻ *Buyer understands this property is covenant restricted and that the Covenant is available from the City of Boulder Division of Housing upon request. Buyer has until the Title Objection Deadline to object to the Covenant terms. If Buyer has no objection, it is assumed he/she agrees to all conditions of such covenant including limitations on resale and occupancy requirements.*
- ◻ Send a copy of your contract to the Homeownership Coordinator assigned to the sale
- ◻ Send the Homeownership Coordinator a copy of any amendments or extensions to the contract including inspection items.

Closing:

- ◻ Buyer and Seller agree on a convenient time for closing and schedule with the title company.
- ◻ Homeownership Coordinator MUST be given five working days notice of any change in the closing date.
- ◻ Remember to take photo ID with you to the closing.

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