City of Boulder
Housing Division

Homeownership Program

Homebuyers Guide

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Equal Housing Opportunity

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 Prospective Homebuyer,

We are pleased you are considering the purchase of a home in Boulder! This is a great community in which to live, and the citizens of Boulder have 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. When you purchase a home through the city's programs, you receive the benefit of these community investments. The program requires you to pass the benefits on to the next buyer when you sell.

We wish you the best as you pursue your dream of homeownership, and are very happy to assist you with your purchase.

Sincerely,

The Homeownership Program Team
City of Boulder
Division of Housing

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Programs Summary

The City of Boulder has three opportunities to assist potential Homebuyers:

Homeworks Permanently Affordable Homes
To ensure that Boulder will always have homes affordable to those with low- to middle-incomes, the Homeworks Permanently Affordable Program aims to continually increase the affordable housing stock within the city. Many of these homes are built by developers as a requirement of the Inclusionary Housing Ordinance. Homes are sold at below-market-rate prices to income eligible buyers, and governed by an affordability covenant. To view homes that are currently for sale or under contract in the perminanently affordable program, please visit the website and select the Homeownership section. More details about the Homeworks Permanently Affordable Program follow later in this document.

Solution Grant
This grant may be used in conjunction with our Homeworks Permanently Affordable Program for properties listed on our website, or through the Thistle Communities Land Trust Program (www.thistlecommunities.org) if the Thistle home is within Boulder city limits. The grant helps to cover the gap between the minimum down payment and closing costs required by the lender and the buyer's personal assets. More details about the Solution Grant follow later in this document.

Shared Appreciation Loan (House to Home Ownership Loan - H2O)
This down payment assistance program is a deferred loan that helps buyers purchase a market-rate home within the city limits of Boulder. Up to 15% of the purchase price may be available to those that qualify. The loan is due and payable after 15 years, or if the home is sold before 15 years. More details about the Shared Appreciation Loan Program follow later in this document.

Metro Mortgage Assistance Plus (MMAP)
The MMAP Program is administered by the City of Denver, and the City of Boulder is a participating jurisdiction. MMAP makes available to income eligible buyer a non-repayable grant for up to 4% of the home's purchase price. More details about MMAP follow later in this document.

Personal Investment Enterprise (PIE)
The Boulder County PIE program gives qualified applicants a $4 match for every dollar they save for down payment up to $1000 ($4000 match). Funds need to be saved in a special account and require a six month saving period. Thus, planning ahead is important. More details can be found at www.bouldercountypie.org.

Equal Housing Opportunity

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Eligibility Requirements: Homeworks Permanently Affordable Program

Below is a 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, or see below for special asset scenarios
MIDDLE INCOME HOUSEHOLDS	**Family Size** / **Income Limit** / **Asset Limit** 1 / $78,790 / $140,000 2 / $90,110 / $155,000 3 / $101,310 / $170,000 4 / $112,520 / $185,000 Inquire for larger family sizes, or see below for special asset scenarios
INDIVIDUAL SCENARIOS THAT CAN 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 at least one person from each household must attend a 60-minute city Orientation, and a day-long Homebuyer Education class offered by certified housing counseling agencies. These classes are also available on-line. The Orientation must be completed before applying. 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	• **H**omes 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	• Property must be owner-occupied • Number of bedrooms may exceed number in household by one • Buyer must adhere to all covenant restrictions • At least one person in the household must work 30 or more hours per week

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Program Detail: Homeworks Permanently Affordable Program

Overview

Homeworks homes are priced below market value, and are calculated to be affordable to a wide range of incomes. *Please note that income limits vary by home, and are posted for each listing on our web listing for the home.*

Affordability

Each home on the website lists a maximum selling price. Per the terms of the covenant, a buyer can never pay more than the amount listed. Some buyers may have the opportunity to pay less than the maximum selling price, but this negotiation must be agreed to by the seller, and is usually dictated by market conditions.

The maximum home price is restricted to keep the units affordable now, and into the future. Resale amounts will be calculated to include annual appreciation and capital improvements. Annual appreciation is based on the annual change of the Area Median Income or the Consumer Price Index (whichever is less), and are restricted to a range of 1.0% - 3.5% per year. Capital improvements are awarded based on specific criteria, up to a maximum of $25,000 throughout ownership (information about capital improvements can be found in the Homeowner Manual).

Choosing a Home and the 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 at on our website.

During the 30-day marketing period, prospective buyers will view the home. Interested, eligible 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 no forms are received, the home is immediately available for contracts from city certified buyers anytime after the 30-day open marketing period.

If more than one household has submitted a form, a selection process is put into motion.

First, households are grouped into the following categories:
#1 – live + work + certified for the program for 1 year or more
#2 – live + work
#3 – work + certified for the program for 1 year or more
#4 - work only
#5 – live + certified for the program for 1 year or more
#6 - live only
#7 – does not live or work in the city of Boulder + certified for the program for 1 year or more
#8—does not live or work in the city of Boulder + certified for the program for less than 1 year

The household in the highest category 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 group, and so on.

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However, if there is more than one household in a particular group, a lottery will take place. The draw can actually consist of several sub-lotteries as each preference category will be ranked with its peers (i.e. all “live + work” households will be grouped together, and then ranked above all “live only” households which will also be grouped together).

Some units may have unique preferences based on home features, such as Family Friendly (more space and/or a yard for households with at least one minor), 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 Housing Division, and 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.

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 can 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 own a home, even if it is for sale or under contract (buyers in the program cannot own another home at the time of closing)

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.

Households submitting Selection Process Entry Form are not directly contacted if a home goes under contract before they had the opportunity to write an offer. To know if a home is “off-the-market” please check for the phrase “Under Contract” on the web page for the home. This information will be updated after the buyer and seller have reached agreement, and the home is no longer available. Once a buyer is under contract they are not eligible to submit additional Selection Process Entry Form or make offers on other homes unless they terminate their current contract.

The buyer and seller, along with their real estate agents, lenders, inspectors, appraisers, city staff, and the title company will work together to complete the transaction. Typically 30-60 days elapse between

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contract and closing. We require at least 30 days be allowed from contract to closing unless seller and buyer mutually agree to a quicker time line.

The following items are **required** before an applicant is eligible to submit a Selection Process Entry Form or put a contract on an available home:

- The household needs to be certified for the program. Applicants who are not yet certified must submit their **complete** application a minimum of two weeks prior to the end of the 30-day open marketing period (deadline will be listed on each homes web listing). These allows staff time to process their application and determine program eligibility before the selection process. In the event an application is incomplete or more information is required after the application deadline, the applicant will be ineligible to participate in the selection process related to the home on the Home Interest form.
- The household needs to visited the home or the sales office (in the case of a new development).
- A Selection Process Entry Form needs to be submitted (available on the website). The form should be submitted per the instructions on the form by the deadline listed in each homes web listing.

Owning a Homeworks Permanently Affordable Home

Homeowners are required to maintain their home in a good, safe, and habitable condition. The homes have been set aside as permanently affordable in our community, so all subsequent owners need to be able to enjoy the benefit of the home. Routine maintenance checklists are available on many websites and are specific to different types of homes.

Homeowners in Home Owner's Association (HOA) communities are required to pay their HOA dues and abide by the community covenants. Non-payment of HOA dues can result in foreclosure. We are unable to assist affordable buyers with HOA matters as the HOA is made up of members of the housing development, and the City of Boulder does not have jurisdiction or a vote in community matters. Active participation in a HOA will help to ensure a good homeownership experience.

Selling a Homeworks Home

When an owner informs us they are interested in selling, we provide a letter with the maximum selling price for the home, and explain the steps in the city's sale process. The owner will also have the opportunity to have an inspection of the home if there is concern about damage that could affect the sale.

The home will be listed on our website, but may also be listed in other public ways as determined by the seller and real estate professional working on the sale of the home. Sellers will be required to market the home for 30 days before accepting offers on the home.

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Eligibility Requirements: Down Payment Assistance

Down Payment Assistance Programs: Eligibility Requirements	
Solution Grant Income and Asset Limits	**Family Size** / **Income Limit** / **Asset Limit** 5 / $53,040 / $55,000 6 / $60,660 / $70,000 7 / $68,200 / $85,000 8 / $75,740 / $100,000 Inquire for larger family sizes, or see below for special asset scenarios
Shared Appreciation Loan (H2O - House to Homeownership Loan Income and Asset Limits	**Family Size** / **Income Limit** / **Asset Limit** 1 / $55,680 / $55,000 2 / $63,680 / $70,000 3 / $71,600 / $85,000 4 / $79,520 / $100,000 Inquire for larger family sizes, or see below for special asset scenarios
Metro Mortgage Assistance Plus (MMAP) Down payment grant Income and Asset Limits	**Family Size** / **Income Limit** / **Asset Limit** 1-2 / $91,100 / none 3+ / $103,000 / none
INDIVIDUAL SCENARIOS THAT CAN AFFECT ASSET LIMITS	**Scenario** / **Asset Limit** Recently Divorced / $85,000 Retired / $155,000 Permanently Disabled / $170,000 Additional Family Members / $15,000 added per person
FEES	Solutions Grant and H2O: $25.00 application fee. MMAP: no fee.
DEBT-TO-INCOME RATIO	Solutions Grant and H2O: may not exceed 42% in most cases. MMAP: may not exceed 45% with a minimum FICO score of 650.
BUYER'S MINIMUM CASH CONTRIBUTION	Solutions Grant and H2O buyers are required to contribute at least $2,000 of their own money. Applicants should check with their lender for minimum requirements they may have beyond the minimum $2,000. MMAP buyers are required to bring 0.5% of the mortgage to closing.

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HOMEBUYER EDUCATION	To participate in the program each household must attend a 60-minute city Orientation, and a day-long Homebuyer Education class offered 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 are required prior to closing. • For H20, the CHFA-approved Homebuyers class must be fulfilled before going under contract.
LENDER/MORTGAGE LOAN	Applicants must submit as part of their city application packet: • Copy of their mortgage loan application (as prepared by their lender, not handwritten). • Mortgage Preapproval Letter that lists max purchase price, min down payment, estimated PITI, interest rate, loan type. Lenders using MMAP must be preapproved by the City of Denver.
FIRST-TIME HOMEBUYER REQUIREMENT	**Solution Grant:** None. **H20: You must be a first-time homebuyer to qualify.** This means that you cannot have owned a home in the past 3 years, unless you have been divorced or legally separated within the most recent 3 years and have court documents showing that you no longer have an ownership interest in the property. **MMAP:** None.
Resale Restrictions	**Solution Grant**: Home must be re-sold to an eligible buyer after a fair marketing period. The initial home value will be reduced by the amount of the grant, and future appreciation will be earned based on the adjusted price. **H20**: Home will be a market rate re-sale with no price caps. The loan must be paid back in full, including shared appreciation, at the time of closing. **MMAP:** none.
Other requirements	**Solution Grant:** Property must be owner-occupied and rental restrictions apply. Number of bedrooms may exceed number in household by one. Buyer must adhere to all covenant restrictions. **H20**: Property must be owner-occupied and rental restrictions apply. Applicant must work in Boulder. **Both:** At least one person in the household must work 30 or more hours per week

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Program Detail: Down Payment Assistance

Solution Grant Overview

The Solution Grant is available to low-moderate income buyers in the city's Homeworks program. It is only available for purchasers of Homeworks Permanently Affordable homes or homes located within Boulder city limits that are part of the Thistle Communities homeownership program. The grant is "gap funding"—that is, it seeks to bridge a gap between the funds that a buyer needs to close (down payment and closing costs), and funds that the buyer actually possesses.

Determining Initial Eligibility

While potential eligibility for a grant can be determined at the time of initial certification, final eligibility is not guaranteed, nor can a specific amount of funds be committed. This is for three reasons:

a) The program participant has not yet gone under contract, so the exact amount of down payment and closing costs required is unknown;
b) It is expected that program participants will be proactive in saving money for their down payment and closing costs during the time that they are shopping for a home. In most situations the city would expect to see an increase in assets between initial program certification, and going under contract;
c) Funds are limited annually, so there is no guarantee that funds will be available at the time that a program participant is ready to close.

Determining Final Eligibility

In order to give final approval to the purchase, the city requires all of the following documents to determine the buyer's costs to close and final eligibility:

1. Sale contract for subject property
2. Updated 1003 from the lender that reflects:
    a. Section I: specific loan information for the purchase;
    b. Section II: updated down payment source information (if applicable);
    c. Section V: updated income calculations (if applicable), and Monthly Housing Expense information specific to the purchase;
    d. Section VI: updated asset and liability information based on a post-contract credit analysis;
    e. Section VII: Up-to-date details of the transaction with credits and costs
3. Good Faith Estimated dated the contract date or later, with updated loan information
4. Truth-In-Lending Statement dated the contract date or later, with updated loan information
5. Title Commitment referencing all parties to the transaction, and policy cost
6. Current bank and other assets statements to determine available buyer funds
7. Additional items requested by the city to determine grant eligibility if eligibility questions remain.

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Once the above documents are received, the city will analyze current income, debt, and assets to determine eligibility for the Solution Grant. If income or assets have increased above the program limits a grant will not be provided.

The Solution Grant will be awarded based on the actual gap reflected in the documentation. The following are expected to be contributed by the buyer to their closing: cash in bank accounts, retirement funds that exceed the city's exemption amount, assets that can be liquidated including mutual funds, trust funds, stocks, bonds, cash value of life insurance policy (not death benefit policy), estimated proceeds from sale of another home, gift monies, Individual Development Accounts (IDAs), and other grants to be received.

If an analysis of closing costs vs. available assets demonstrates that a funding gap exists, the city will make a Solution Grant available to the buyer, in exchange for an adjusted purchase price after closing (purchase amount - grant amount). Please note that funds will only be available if they haven't already been depleted for the year.

Determining the Amount of the Grant

The grant will never exceed 5% of the home's sale price. The funds are not intended to help a buyer avoid mortgage insurance, buy points, pay private mortgage insurance (PMI) in advance, pay down principal, or provide any other buy-down assistance that causes the interest rate to be lower in exchange for costs paid at closing. *In most cases the grant is only available when a lender is requiring a down payment of 5% or less.*

City staff will determine whether closing costs seem reasonable for the transaction, and may require detail or verification of closing costs listed by the lender.

Buyer Requirements

Savings - Buyers should show a good-faith effort to save funds for their home purchase from the time that they were initially certified for the program. It's expected that in most cases a documented increase in assets should be seen from certification through contract. Asset reductions may require documentation, and may result in a grant not being available to the buyer.

Upgrades - For new construction, buyers cannot purchase upgrades and receive a grant. New homes are constructed as fully livable. Personal and gift funds should be saved for closing costs – not invested in upgrades. Paperwork regarding upgrades will be sent to the city by the developer for all buyers, and if upgrades exist then buyers will not receive grant funds.

Lender Requirements

Lenders need to send the above-listed documents at least 2 weeks before closing. This will allow the city time to analyze grant eligibility, obtain necessary signatures, and arrange for funds to be delivered to the closing.

Grant funds should not be considered "guaranteed" until official award notification is provided by the city to the buyer and the lender. This generally happens 10 days after lender documents are received.

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All funds will be wired directly to the Title Company in time for closing. If closing costs change, then it is expected that any amount that is over granted will be returned to the city by the title company. **Excess funds must be returned, and are not to be used to cover any part of the transaction not previously agreed to by the city.** It is not possible for us to make changes to the grant request for a larger amount if the transaction is within one week of closing.

The Shared Appreciation Loan (House to Home Ownership - H2O)

The Shared Appreciation Loan program is a deferred loan. Payments are not made until the home is sold or 15 years, whichever comes first. The maximum loan amount for this program is $50,000 or 15% of the home's value—whichever is less.

At 15 years, or ownership transfer, the loan is due in its entirety plus a percentage of appreciation equal to the percentage of the shared appreciation loan to the purchase price.

Examples

Purchase Price	H20 Loan Amount	Loan %	Appreciation	Amount Due at Transfer
$200,000	$20,000	10%	$80,000	$28,000 ($20,000 + $8,000)
$200,000	$10,000	5%	$80,000	$14,000 ($10,000 + $4,000)
$250,000	$25,000	10%	$50,000	$30,000 ($25,000 + $5,000)
$250,000	$25,000	10%	$110,000	$36,000 ($25,000 + $11,000)

If the home is sold or refinance within two years, only the amount borrowed needs to be repaid.

This program has no resale restriction. The home may be sold at market-rate. All Shared Appreciation Loan participants are required to pay a $150 fee at closing.

The Boulder County Homeownership Common Application will be used to determine eligibility for the Shared Appreciation Loan Program. In addition to the other city eligibility requirements, this program has a few additional requirements:

1) Buyer must be a first-time homebuyer (not owned a home within 3 years, unless divorced during that time).
2) Buyer must work within the city limits of Boulder.

The amount of the loan will be determined based on the contract price of the home and the amount of assets that the buyer already has available. The loan helps to bridge the gap between available assets and costs when a buyer does not have enough funding to purchase a market rate home in Boulder.

Metro Mortgage Assistance Plus Program Grant (MMAP)

The MMAP Program is administered by the City of Denver, and the City of Boulder is a participating jurisdiction. Lenders that have completed the required training are eligible to participate. MMAP makes available to income eligible buyer a non-repayable grant for up to 4% of the home's purchase price, with 1% of the total granted covering origination, and the rest going to down payment and closing costs.

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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.

This grant can be used in conjunction with our Solution Grant but not the Shared Appreciation Loan (H2O) since this loan does not permit FHA or VA products. MMAP Program funds will be applied before determining the city's grant amount. Please note that it is the lender's responsibility to certify applicant eligibility for this grant, reserve funds, and meet the reporting requirements. For more information visit www.denvergov.org and search for "Metro Mortgage Assistance Plus", or contact Stacy Houston at stacy.houston@raymondjames.com.

Personal Investment Enterprise (PIE)

The Boulder County PIE program gives qualified applicants a $4 match for every dollar they save for down payment up to $1000 ($4000 match). Funds need to be saved in a special account and require a six month saving period. Thus, planning ahead is important. More details can be found at www.bouldercountypie.org.

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Step-By-Step Overview of the Purchase Process

Step One: Attend Orientation

Orientation is the first step in your process so that 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 30-minute version is always available online. Orientation information is at https://bouldercolorado.gov/homeownership/homebuyer-education.

Step Two: Contact a Lender

Choose a lender, submit their required documents, and receive mortgage loan pre-approval. The city will require your pre-approval letter and a copy of your signed loan application as part of your program application. A list of lenders is on this website, though you are not limited to lenders on this list. If you choose to work with a different lender then please direct them to the "For Lenders" section of our website.

Step Three: Submit an Application

Complete the Boulder County Homeownership Programs Common Application. Be sure to fill out the application completely. You will need to attach all required documentation requested in the application. Required documentation must be submitted within 30 days of the original application. The link to the application link is on the right side of this page.

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

The application that you submit enables you to apply to all of the following homeownership programs: City of Boulder, Thistle Communities, and Boulder County/Longmont Down Payment Assistance Program. We will share your application only if you check the boxes requesting us to do so.

Step Four: Attend the Homebuyer Education Class

The Homebuyer Education class must be completed by all buyers before closing (and before contract for H20 borrowers). The best time to take this class is while you are looking at homes. The class will provide tons of information about the home purchase and closing process.

The "Required Classes" link to the right has class schedules, locations, times, and registration information. Most buyers take the class through Boulder County's program, but you can take it anywhere in the state. To find Boulder County dates: http://www.bouldercounty.org/family/housing. To find other dates in Colorado through an approved agency: http://www.chfainfo.com/homeownership/Pages/homebuyer-education.

Even if you are or have been a homeowner, you must take this class. The class expires after one year, so if you don't purchase a home in that timeframe you will need to take the class again.

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Step Five: Shop for a Home

If you qualify for the Homeworks program then 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 many other homes are available and listed by the number of bedrooms. Your Realtor can help you to set up showings, and open houses will be announced on our website.

If you will be using H2O to buy a home on the open market then work with your Realtor to find the home that you would like to purchase.

A list of Realtors is on this website, though you are not limited to Realtors on this list. If you choose to work with a different Realtor then please direct them to the "For Realtors" section of our website.

Step Five: After You Apply

Your preliminary certification is valid for six months or until you have a signed contract to buy a property. Recertification is mandatory, and there is no cost.

Once you have a signed contract to buy a home, the city will review the contract, inspection, loan, and buyer documents. If these items meet program requirements you will be issued a “final certification” letter and a copy of the Permanently Affordable Housing Covenant.

Once you've received final certification you are eligible to purchase your home. At closing you will sign documents prepared by the City of Boulder, including the Covenant. To prepare you for closing you will meet with a City of Boulder Homeownership staff member approximately one week before your closing to review these documents.

Step Six: Closing

At this meeting the buyer will sign paperwork and receive the house keys!

Equal Housing Opportunity

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Working with FHA Financing

What is FHA financing?

The Federal Housing Authority (FHA) underwrites loans for many people in our programs. FHA is often able to help people with lower credit scores or less down payment secure a mortgage. These loans are often referred to as "FHA loans."

A condominium development/project needs to be approved by FHA before they will back the loan of a person buying a home in the development. To receive FHA approval, a development needs to complete an application. The approval process takes approximately 60-90 days. Approvals are granted for a limited time. When they expire, a new application needs to be submitted. Generally, a developer of a newly constructed community or the homeowners association will complete the application.

How does one find out if a home is FHA approved?

If one is using FHA financing, as they look at homes they should find out if the community qualifies for FHA financing. Here are some ways to do this:

- Ask a lender if FHA financing be used on a particular home
- Look on the HUD website – www.hud.gov – search for "FHA approval." The database on the site provides information about various projects' FHA status (a good source, but the data may not always be up-to-date)
- Ask the agent representing the seller. They should have access to the homeowners association who should know the status.

Can the City of Boulder tell if a home is FHA approved?

Unfortunately, the city cannot tell if a home has FHA approval.

Are there other options besides a FHA loan?

Yes, ask a lender. There are a variety of loan products available. A buyer may be able to use a different type of loan to purchase a non-FHA approved home. Our program may also be able to help with a small loan or grant that would allow you to purchase a home using "conventional" financing. Please call for current details.

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Frequently Asked Questions

How long does it take to become income certified? Up to two weeks once all documents are submitted.

Who needs to be on the application? Everyone who plans to live in the affordable home. This includes: legal spouse, domestic partner, common-law spouse, children (under 18 that reside with the applicant at least 50 percent of the time), and/or a significant other or other individuals who are member of the household. The applicant's spouse must be included unless they are legally divorced or separated. Persons not counted include foster children, or children who reside less than 50 percent of the time in the home.

How is annual income calculated?
Annual income is defined as anticipated total income for the next 12 months, received from all sources, by each member of the household (over the age of 18). It is assumed that today's circumstance will continue for the next year. Applicants are required to verify this by submitting a letter from their employer stating the annual gross wage, or by completing the employer verification form found in the application packet. We will also use paystubs, income taxes and bank statements to verify income.

How is income verified for self-employed people?
Self-employed individuals should submit copies of their last three years of federal income-tax forms, an up-to-date profit and loss statement, and statement of expected earnings over the next 12 months.

How are assets calculated with regard to income?
Interest or earnings from assets (as opposed to the value of the asset itself) will be calculated as part of your annual income.

Can the programs be combined?
The Shared Appreciation Loan program (H2O) cannot be combined with Homeworks Permanently Affordable homes as it is designated to help applicants purchase a market-rate home. In addition H20 can not be used with the MMAP since H20 does not permit FHA or VA finance products. The Solution Grant may be used with Homeworks Permanently Affordable low-moderate income homes and Thistle Community homes located in Boulder. Middle income households do not qualify for the Solution grant.

Can a buyer have a cosigner?
Yes, but the cosigner may not be on the title. The cosigner's income will not be calculated as household income unless they will occupy the home. If the cosigner will live in the home then their income must be included with the application and all relevant documents submitted. An applicant with a cosigner must have a debt-to-income ratio at 42% or below in most cases without consideration of the cosigner's income.

Do applicants have to purchase in the city limits of Boulder? Yes. All Homeworks Permanently Affordable homes are located within the City of Boulder. If one is considering using the Shared Appreciation Loan program (H20) to purchase a market-rate property the city's Planning Department can tell whether the property is located within city limits. Contact them at 303-441-3270.

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Appendix A - Calculating the Maximum Resale Price Limit

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) The maximum increase for any given year is 3.5 percent, while the minimum increase for any given year is 1.0 percent.

D. Each year add the product of the multiplication described in (C) to the purchase price.

E. Add the cost of approved Capital Improvements up to the time of contract. 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. Shortly before the Resale Price Limit is determined, the city shall have the right to inspect the Property. If after such an inspection, the city determines that the Owner has not fully complied with their maintenance obligation, the city shall determine the cost to complete repairs necessary to restore the property to a good, safe and habitable condition. This amount is called the Excessive Damage Assessment, and shall be included in the Resale Price Limit calculation.

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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Appendix B - 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 which includes limiting appreciation.
- Buyer 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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Appendix C - Elective Education Opportunity for Interested Homebuyers

The Boulder County Housing Counseling program offers certified housing counseling that provides free financial education, coaching, guidance and incentives to anyone interested in owning a home. Topics include:

Budget: Learn how to create a workable spending plan, assign goals for money, track expenses, identify "needs" and "wants," and develop ways to make budgeting a habit.

Credit: This class will teach how to manage credit effectively and wisely. Participants will learn what goes into a credit score, how to access a free credit report, ways to improve or build credit, how to read credit report and correct information on report that are not accurate.

Debt Reduction: This class helps participants discover the reasons they borrow money in the first place, understand common forms and causes of debt, identify the warning signs for too much debt, learn the "Six Steps to Debt Freedom" and avoid unnecessary debt in the future.

Banking & Savings: This class is designed to help participants start a relationship with a financial institution or evaluate their current one, understand banking terms and practices, become familiar with savings and investment products, raise awareness of common fees, and learn methods and tips to save money.

Registration is not required. For additional information call 720-564-2279
or visit:
www.bouldercounty.org/family/housing/pages/hcschedules.aspx

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