City of Boulder
Housing Division

Homeownership Program

Lender Guide

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Welcome!

Dear Mortgage Lender,

We are so pleased that 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 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. 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 lenders, while giving specifics about the city's requirements and timeframes for approving and drafting documents for closing.

The City of Boulder requires that mortgages on permanently affordable homes meet several requirements. The intent of the requirements is to reduce the risk of default and foreclosure. In the event of a foreclosure the affordability restrictions terminate. As such intervention typically costs several thousand dollars the city has instituted a number of precautions. For example, all buyers are required to attend homebuyer training and make a significant investment in the home. The mortgage requirements have been developed with this in mind while attempting to preserve adequate mortgage options for buyers.

City staff is here to assist if you have questions after reviewing this information. Please don't hesitate to contact via any of the methods below.

Sincerely,

The Homeownership Program Team
City of Boulder
Division of Housing

City of Boulder Homeownership Programs
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Mailing Address: P.O. Box 791 Boulder, CO 80306
303-441-3157, ext. 2
homeownership@bouldercolorado.gov
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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 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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City of Boulder Mortgage Policy

Loans used to purchase or refinance homes in the program must meet the guidelines of the mortgage policy. The current policy can be found on our website. Please contact us if you have question about the policy.

Appraisal

Appraisers often request guidance when appraising permanently affordable homes. 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. See "Ann. 06-03: Properties Subject to Resale Restrictions or Located on Land Owned by Community Land Trusts (03/22/06)." A copy of these guidelines is on our website.

Purchase Loans

The city's homeownership programs have been designed to facilitate standard mortgage financing, including FHA and Fannie Mae.

One of the requirements in applying for the city's program is that applicants submit a preapproval letter and the typed loan application (Form 1003) with their city application. We do not accept prequalification letters as we want to ensure that those certified for our program have the ability to purchase a home, as evidenced by their submitting a full loan application to their lender.

Certified buyers entering into a purchase contract will be required to provide documents to the city before closing. If working with a buyer, expect them to ask the following documents be sent to their specific staff contact:

1) Truth-In-Lending Statement
2) Good Faith Estimate
3) Most recent loan application (Form 1003)
4) Title commitment documents

Once these documents are received we will review them for conformity with our mortgage policy. We will use the data from the loan application for our final income and DTI ratio certifications. Finally, the information found in the GFE, loan application, and TIL will be used to determine whether a Solution Grant will be made available to the buyer.

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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.

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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Down Payment Assistance Programs Overview Chart

	Solution Grant	**H20 Loan**	**MMAP Program Grant**
Administered	City of Boulder	City of Boulder	City of Denver
Amount Available	Up to 5% of home's purchase price	Up to 15% of home's purchase price (a maximum of $50,000)	4% of home's purchase price
2015 Household Income Limit	Number in Household 1: $53,040 3: $68,200 2: $60,660 4: $75,740	Number in Household 1: $55,680 3: $71,600 2: $63,680 4: $79,520	Number in Household 1-2: $91,100 3 or more: $103,000
Maximum DTI	42%	42%	45%
Household Financial Contribution to Transaction	Minimum of $2,000; buyers will be required to contribute more assets if they have funds in excess of 3 months PITI and HOA reserves	Minimum of $2,000; buyers will be required to contribute more assets if they have funds in excess of 3 months PITI and HOA reserves	0.5% of total mortgage
Homebuyer Education Requirement	Yes, any HUD-approved housing counseling agency (CHFA-approved homebuyer education satisfies requirement)	Yes, any HUD-approved housing counseling agency (CHFA-approved homebuyer education satisfies requirement)	Yes, any HUD-approved housing counseling agency (CHFA-approved homebuyer education satisfies requirement)
Repayment Requirements	None, but the grant is invested in the property so the maximum resale value of home is reduced by the grant amount after closing for the purposes of calculating future appreciation and keeping the home permanently affordable.	Yes, balloon payment due at 15 years, or upon transfer. Repayment amount is original loan + 15% of home's appreciation at the time of pay off.	No
Grant Commitment	Upon verification that applicant has completed all program requirements; and receipt and review of final closing costs as documented on the final TIL, GFE, Loan Application, Title Commitment documents	Upon verification that applicant has completed all program requirements; and receipt and review of final closing costs as documented on the final TIL, GFE, Loan Application, Title Commitment documents	Pre-reserved by lender upon verification of applicant requirements and final closing costs information
For More Information Contact	City of Boulder Division of Housing, Affordable Homeownership Program: 303-441-3157, ext 2; homeownership@ bouldercolorado.gov	City of Boulder Division of Housing, Affordable Homeownership Program: 303-441-3157, ext 2; homeownership@ bouldercolorado.gov	Stacy Houston (Raymond James), Program Administrator for Denver MMAP; stacy.houston@ raymondjames.com

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Setting the Maximum Resale Price of Permanently Affordable Homes

Every year the City of Boulder Homeownership Program provides owners with an annual letter. The intent of the letters is to:

- Communicate relevant information regarding the home and any changes to the Homeownership Program that may affect the ownership experience.
- Provide information about annual appreciation.
- Provide information about the maximum resale price of the home based on appreciation and capital improvements or updates.

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. Note that this formula focuses on keeping the homes affordable, and is not tied to the performance of the real estate market. Here is how the city calculates maximum resale values:

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.

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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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Refinancing

Owners may refinance a mortgage used to purchase their home if the refinance is a straight rate and/or term refinance of the existing principal balance plus one percent (to cover closing and associated costs). The refinance amount may not exceed 93 percent of the current resale value (excluding costs to sell) of the home. The City of Boulder must approve the terms of the loan to confirm they meet these requirements.

The city has a $10 promissory note and deed recorded against the property. This lean will be subordinated to the new financing, as is required by most lenders, if the terms listed above are met.

Owners should contact us when they are ready to refinance their home so that we can provide the owners with a letter containing their home's current value, details on determine their maximum refinance amount, and the required documents needed for the city to subordinate its promissory note and deed to the new loan (good faith estimate, truth in lending statement, loan application, and title commitment).

Once we receive the required documents from the lender, we require a minimum of 5 business days to analyze the loan, process our subordination, and send documentation to Title for closing. Please note that if terms or amounts change then we must receive new versions of all of the above documents.

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Recommended Resource for Foreclosure Prevention

If an owner is behind in mortgage or HOA payments, or have been served a notice of foreclosure, help is available. The Boulder County Housing Authority (BCHA) is dedicated to helping homeowners at risk of foreclosure. A few important points:

- Early intervention is key to helping homeowners on the edge stay in their homes.
- Counseling is not just for borrowers already in foreclosure but for all who have missed a payment or who think they may miss a payment.
- If an owner is in jeopardy of foreclosure, or know someone who is, contact the Boulder County Housing Authority's (BCHA) Housing Counseling Program hotline at **720-564-2279.**

BCHA's housing counselors are neutral parties who are not dependent on funding from either the lender or the borrower, and act as an information resource for borrowers and as facilitators between the borrowers and lenders. The BCHA's Housing Counseling Program is approved by the U.S. Department of Housing and Urban Development to conduct foreclosure prevention counseling.

For online assistance, visit the BCHA's Foreclosure Prevention website at: http://www.bouldercounty.org/family/housing/pages/hcforeclosure.aspx, or call them at 720-564-2279

Please keep in mind that non-payment of HOA dues can result in foreclosure. The city is unable to assist owners with HOA matters as the HOA is made up of members of those living in your neighborhood. The Homeownership Program has no jurisdiction or vote in community matters. Active participation in an HOA will help to ensure a good homeownership experience.

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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. The 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, such as CHFA or Habitat for Humanity loans, may restrict an owners ability to rent their home. Owners must also abide by any HOA requirements.

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.

How should an appraiser go about valuing the home?
Appraisers should use standard market comparable properties. Fannie Mae has issued appraisal guidelines to this effect: "In cases where the resale restrictions terminate automatically upon foreclosure (or the expiration of any applicable redemption period), or upon recordation of a deed-in-lieu of foreclosure, the appraisal should reflect the market value of the property without resale restrictions. The lender must ensure that the borrower is aware of the resale restrictions and should advise the appraiser that he or she must include the following statement in the appraisal report: "This appraisal is made on the basis of a hypothetical condition that the property rights being appraised are without resale and other restrictions that are terminated automatically upon the latter of foreclosure or the expiration of any applicable redemption period, or upon recordation of a deed-in-lieu of foreclosure." See Fannie Mae Announcement 06-03: Properties Subject to Resale Restrictions or Located on Land Owned by Community Land Trusts (03/22/06) for further details.

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.

How can I get the $10 note and deed released?
We will not permanently release the note and deed before a sale, but we will subordinate it to the first mortgage. Every homeowner has been assigned a case manager so please contact that staff person directly. If your client does not know who their case manager is then please phone us at ***303-441-3157 ext. 2 or email us at*** homeownership@bouldercolorado.gov***.***

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