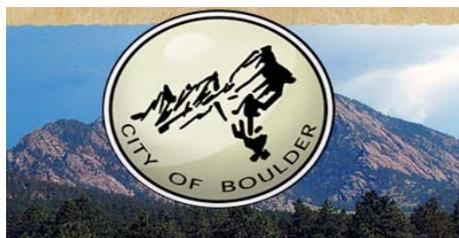


City of Boulder Homeownership Programs

Lender Manual 2014



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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
Physical Address: 1300 Canyon Boulevard, Boulder 80302
Mailing Address: P.O. Box 791 Boulder, CO 80306
303-441-3157, ext. 2
homeownership@bouldercolorado.gov
www.boulderaffordablehomes.com



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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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Down Payment Assistance Programs

The city features three down payment assistance options. The Solution Grant is for use in purchasing a home through the Homeworks Permanently Affordable Program. The Shared Appreciation Loan (House to Homeownership – H2O) program is our only program with no resale restriction, and it can help market-rate buyers make a larger down payment by offering up to 15% of the home’s purchase price as a loan. The Metro Mortgage Assistance Program (MMAP) 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.

The Solution Grant assists those with limited assets to afford down payment and closing costs for Homeworks Permanently Affordable homes in the low-moderate income program, or for properties purchased within the city limits through Thistle Communities Land Trust Program.

The Solution Grant is a “bridge grant” meaning buyer assets must be used first, and then the grant can help to cover any gap between available assets and costs to close. Buyers are required to use most of their available personal assets before grant money is applied. The goal is to help a homebuyer reach the minimum down payment required by their lender and cover the closing costs for the transaction.

The grant award will never exceed 5% of the home’s purchase price. The grant exists to help those with limited assets cover basic purchase costs. It will not be awarded to eliminate mortgage insurance, provide a down payment higher than 5%, or allow the homebuyer to use fewer assets in the transaction.

Grant amounts will not be determined until after a buyer and seller have signed a sales contract. We need to know the price of the home, details of the mortgage loan, and available buyer assets, to determine the amount that will be granted. Typically the grant amount is announced within two weeks of closing after all lender and title documents have been reviewed by city staff. Grant funds are limited and available on first-come first-served bases each year.

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

EXAMPLE 1

Purchase Price	H2O 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)

EXAMPLE 2

Purchase Price	H2O Loan Amount	Loan %	Appreciation	Amount Due at Transfer
\$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)



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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.

This grant can be used in conjunction with the Boulder's 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	H2O Loan	MMAP Program Grant
Administered By	City of Boulder	City of Boulder	City and County 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
2014 Household Income Limit	Number in Household 1: \$51,490 3: \$66,220 2: \$58,850 4: \$73,520	Number in Household 1: \$53,870 3: \$69,340 2: \$61,600 4: \$76,940	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 ($\$202,000 \times 2.3\%$)

New Max Resale Price: \$206,646 ($\$202,000 + \$4,646$)

Appreciation Year Two (1.8%): \$3,636 ($\$202,000 \times 1.8\%$)

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 loan 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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