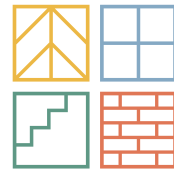# Stewardship Standards
for
Homeownership Programs

Cornerstone Partnership
Keeping Homes Affordable & Communities Strong

NATIONAL
COMMUNITY LAND TRUST
NETWORK

ABOUT CORNERSTONE PARTNERSHIP

Cornerstone Partnership promotes strong, integrated communities where all people can afford a decent place to live & thrive. We provide expertise on policy & practice. We support a peer network for homeownership and inclusionary housing programs that preserve long-term affordability and community stability, helping more hard-working people buy homes today, maintain those homes, and keep them affordable in the future. Our members are practitioners, policy makers, advocates, consultants, and other housing professionals dedicated to helping families build assets while keeping communities affordable. Since our launch in October 2010, we have grown to over 1,000 members, including 18 national outreach partners. Cornerstone Partnership is a program of Capital Impact Partners.

ABOUT THE NATIONAL COMMUNITY LAND TRUST NETWORK

The National Community Land Trust (CLT) Network nurtures and sustains healthy and economically diverse communities by supporting the work of community based nonprofits and local entities that provide permanently affordable access to land, homes, and related resources. The Network plays a leadership role in sector development, research, capacity building and policy work. Since its inception in 2006 the Network has grown to over 160 dues-paying members representing community land trusts, inclusionary housing programs, local governments, and deed-restricted programs. In addition to housing, our members develop rural and urban agriculture projects, commercial spaces that serve local communities, affordable rental and cooperative housing projects, and conserve land or urban green spaces.

ACKNOWLEDGEMENTS

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INTRODUCTION

Across the country, hundreds of programs are working to support affordable homeownership for working families. Many programs are designed to provide a one-time boost for families, but a subset of these programs focus on preserving affordability over the long term. These programs use a variety of legal and financial structures, and while their affordability mechanisms may vary, they share the promise that today's public investment will provide ownership and asset-building opportunities to multiple generations of buyers. Deed-restricted housing, community land trusts, limited equity cooperatives, and shared-appreciation loans are some of the more common ways of achieving long-term affordable homeownership.

The ability of these models to deliver on their promises and grow to significant scale depends on the programs' ability to overcome a common set of challenges:

- Assuring that homeowners do not end up in predatory loans
- Protecting the public investment in the event of foreclosures
- Ensuring that buyers understand affordability restrictions, and that those restrictions are fair
- Avoiding confusion or misunderstandings when local programs have different requirements
- Planning and managing the cost of staffing for adequate monitoring and support

WHAT IS STEWARDSHIP?

Affordable homeownership stewardship is a set of practices designed to help households maximize wealth, while protecting the program and its community investment. Stewarded homeownership programs work with buyers before and after they purchase their homes to ensure that they are well-prepared for homeownership, financially responsible, and able to maintain the property. Stewarded programs also protect the community (or public) investment by monitoring the physical asset and enforcing program requirements over the long term.

ABOUT THE STEWARDSHIP STANDARDS

The Stewardship Standards for Homeownership (the "Standards") were developed collaboratively by a number of national organizations, practitioners, and experts for the purpose of providing an educational resource and measurable framework to help affordable homeownership programs achieve excellence and maximize impact. Cornerstone Partnership, an initiative of Capital Impact Partners, led the development of these standards in partnership with the National Community Land Trust Network. This project is supported through funding by the Ford Foundation.

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Building on the foundation of Cornerstone Partnership's Stewardship Principles, the Standards reflect the principles' goals that programs be:

- Impact-Driven: Set and track goals that reflect community priorities
- Targeted: Focus on homebuyers who need help but are likely to succeed
- Balanced: Build wealth for homeowners while preserving the community interest
- Managed: Monitor the public investment to ensure long-term benefit
- Safe: Ensure sound mortgage financing
- Understandable: Educate homebuyers on program requirements

The Stewardship Standards for Homeownership are grouped according to the following six topics:

1. Program and Business Planning
2. Affordable Pricing
3. Mortgage Financing
4. Fair Housing and Homebuyer Selection
5. Resales
6. Support, Monitoring, and Enforcement

DEFINITIONS

Standard: A Standard is a requirement, established by general consent, which serves as a model of quality or attainment for the industry.

Practice: A Practice is a measurable or verifiable course of action performed to attain the standard.

Programs that meet all of the practices under each of the standards accomplish the goals of the standards.

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REQUIRED VS. OPTIMAL STANDARDS

Within each program topic is a set of standards and practices that are considered the minimum necessary to operate an effective homeownership program. At the end of many topic sections, there are also several standards that are designated as "optimal standards." These standards reflect promising and/or emerging practices that high-performing practitioners are undertaking in the industry. These optimal standards are encouraged, but not required, for operating an effective homeownership program.

HOW TO USE THESE STANDARDS

The Standards are intended to help programs that provide long-term affordable homeownership opportunities to adopt best practices that will result in better outcomes and reduced risk for homebuyers, programs, and communities. While designed primarily for programs seeking to maintain long-term affordability, many of these standards will also be useful to practitioners operating traditional down payment assistance programs. We have tried to provide as many resources as possible to help programs implement these standards without having to "reinvent the wheel." Our goal is to help programs learn from each other and bring best practices to scale throughout the affordable homeownership industry.

The Standards are designed to be broad and encompassing for all program types; however, in instances where the standards are not universally applicable, we've highlighted program exclusions by affordability mechanism or program type. We've also pointed out some instances where these standards intersect with federal funding requirements, but the standards are intended as an enhancement to—and not a replacement for—any funding requirement.

Third-Party Entities

In long-term affordable homeownership programs, key homeownership administrative functions are sometimes carried out by multiple organizations. Common administrative functions include, but are not limited to: establishing the sales price, marketing the units, preparing buyers for homeownership, screening and selecting buyers, identifying lenders, managing resales, and monitoring and enforcing program requirements. While organizational relationships may vary, there is usually one entity that serves as the "primary steward," or the face of the program, and establishes relationships with homeowners, prospective buyers, lenders, and other key stakeholders. The primary steward usually has a contractual relationship with the other agencies responsible for administering parts of the program.

Programs should try to incorporate the Standards during the contracting process where possible. Programs that hire or rely on third-party entities to administer their homeownership activities can encourage these entities to meet the standards associated with the relevant activities by incorporating

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them into their request for proposals. Third-party entities that provide homeownership administration or monitoring activities on behalf of nonprofits or jurisdictions can include the relevant standards in the scope of services they offer or recommend. Examples of third-party entities include a developer, realtor, nonprofit, private company, or a local jurisdiction.

Limited Equity Cooperative Stewards

The Standards are designed to apply primarily to cooperative (co-op) stewarding organizations rather than to co-op corporations. However, since the standards are intended to help long-term affordable homeownership organizations adopt best practices, many standards may also be applicable to co-op corporations in their operations. Furthermore, meeting many standards and practices will require the coordination of both the steward and the co-op corporation in that the steward may establish a policy during the co-op conversion process (for example) but the co-op board of directors is responsible for implementation. In these cases, the co-op steward should also provide monitoring, training, and technical assistance to co-op leaders to ensure success.

1.

PROGRAM &
BUSINESS PLANNING

Excellent programs have clearly stated
and prioritized objectives; possess the capability,
resources, and systems to meet their goals;
and measure and report on outcomes.

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1. PROGRAM & BUSINESS PLANNING

It is easier to run an efficient and successful program when there are systems in place to support program administration, manage resources, and track outcomes. When programs grow organically, they may skip critical steps in the planning process. It is important to stop and assess periodically to make sure the program design is meeting community needs and having the desired impact on the community.

Exclusions/Modifications: For co-op sponsors and stewards, Standard 1.6 should require that information be systematically tracked about co-op corporations.

Standard 1.1 Goals and Objectives
Clearly articulate program's goals and objectives.

In order to operate effectively, programs need to clearly state and prioritize their objectives. This helps them track successes, make necessary revisions to program design, and set budget priorities.

Required Practices
1.1.a. For each program, maintain a written statement of program goals and objectives, community served, and geographic area covered.

Clearly defined goals and objectives inform program design and serve as the basis for evaluating outcomes. Many funding sources will ask for this information on funding applications, even when programs are new. Goals and objectives change over time, so periodically reviewing and updating them is essential to staying focused on program priorities.

Resources

Model Identity Statement: [Page 4]

> http://affordableownership.org/docs/business-and-program-planning-tool-pack/
> A template providing sample language and a framework to help programs develop an identity statement.

Humboldt CLT 3-year Program Goals (Arcata, CA):

> http://affordableownership.org/docs/three-year-program-goals/
> Sample language of a three-year goals statement from Humboldt Community Land Trust.

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CLT Manual "Who Will Be Served, Where, and How": [Chapter 2 pp. 54-56]

http://cltnetwork.org/wp-content/uploads/2014/01/MASTER-CLT-MANUAL.pdf#page=54

An excerpt from the National CLT Network Manual describing various factors that a CLT should consider when determining which community and geography to serve and how it intends to serve them. Many of these considerations may also apply to non-CLT homeownership programs.

Standard 1.2 Program Design Review
Periodically review and update program design.

As learning occurs and community needs change, programs must adapt. Programs that periodically review and update program design create an opportunity to implement improved practices and respond to changing market and community conditions.

Required Practices

1.2.a. At least every three years, evaluate your program's effectiveness at meeting community need and review your program design (e.g. program rules, policies, and procedures) to make sure it is current and reflects best practices.

At some point in time, most programs are faced with making changes to their program design, either because of changes in the market or community, or because their approach is not producing the desired results. Market and demographic changes, new funding sources, revised regulations, and organizational learning can all impact a program's approach. Reviewing program design on a scheduled basis ensures that the organization makes room for assessment and revision in the course of regular business.

> Just developing a plan every few years doesn't mean anything if there isn't a constant reference back to that and how it integrates to the organization's daily work and mission.

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Homeownership Comprehensive Assessment:

http://www.affordableownership.org/docs/comprehensive-assessment/

A questionnaire designed to evaluate a homeownership program's various strengths and weaknesses.

Standard 1.3 Policies and Procedures
Adopt detailed policies and procedures to direct program operations.

Written operational guidelines ensure greater consistency in program implementation and preserve institutional knowledge about the program when staffing changes.

Required Practices

1.3.a. Maintain a written program administrative manual with a detailed description of all program components. Program manual should cover ALL of the following elements:

- **Funding Sources**
- **Pricing**
- **Marketing and outreach**
- **Application**
- **Homebuyer selection**
- **Allowable loan types**
- **Refinance provisions**
- **Monitoring and enforcement**
- **Resales**
- **Records maintenance**
- **Conflict of Interest Policy**

Written policies and procedures can avert conflict and trouble. A program administrative manual keeps all relevant policies in one place and reduces the tendency to act on memory or instinct. This manual, whether a binder or a separate electronic folder on the organization's computer system, should be readily accessible to all staff and updated regularly.

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Long Island Housing Partnership (LIHP) Comprehensive Manual (Hauppage, NY):

http://affordableownership.org/docs/lihp-comprehensive-program-manual/
A policy and procedures manual for LIHP's homeownership program that details development through post-purchase stewardship procedures and includes considerations for developers and municipalities.

Homestead Community Land Trust Policy and Procedure Manual (Seattle, WA):

http://www.affordableownership.org/docs/policy-and-procedure-manual/
A policy and procedures manual from Homestead Community Land Trust homeownership program that includes policies on homeowner engagement, monitoring, capital improvements, and document retention.

Champlain Housing Trust Program Operations Manual, Table of Contents (Burlington, VT):

http://www.affordableownership.org/docs/program-manual-table-of-contents/
A comprehensive Table of Contents outlining Champlain Housing Trust's homeownership program policies and guidelines, including policies on resales, post-closing information management, financing, and stewardship. Interested parties should contact Champlain Housing Trust directly to access all or portions of the latest manual and templates.

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Standard 1.4 Legal Counsel
Coordinate support from knowledgeable legal counsel.

Affordable homeownership program transactions can be very complex. Programs need access to knowledgeable legal counsel that has experience working with affordability restrictions, real estate contracts, homebuyer financing, and fair housing to review program policies and documents for compliance with federal, state, and local laws.

Required Practices

1.4.a. Identify legal counsel that is knowledgeable about affordable homeownership programs.

At some point, all programs will need access to legal counsel with specific knowledge about affordable homeownership programs, and should have a person or firm identified. This firm may be different from the general counsel retained for organizational or other real estate legal matters.

Tip: Ideally, programs would have legal counsel review all program policies and documents for compliance with all federal, state, and local laws.

Because of the disclosures, purchase documents, and loan docs in affordable homeownership, counsel is essential.

Resources

Homestead Community Land Trust Outside Legal Counsel Policy: [Page 30]
   http://www.affordableownership.org/docs/policy-and-procedure-manual/
   A policy statement from Homestead Community Land Trust indicating that access to outside legal counsel will be maintained at all times.

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Standard 1.5 Conflict of Interest
Manage real and perceived conflicts of interest.

Managing conflicts of interest and perceived conflicts of interest can avert political disaster and promote community support. It is in the program's best interest to carefully manage perceived or real conflicts of interest in order to maintain credibility and legitimacy in the public eye.

Required Practices
1.5.a. Adopt and follow a written conflict of interest policy.

Conflicts of interest, whether real or perceived, can arise during project development, the selection and approval of homebuyers or borrowers, or the procurement of goods and services. This is particularly so when programs engaged in transactions are governed by professionals with ties to finance, insurance, construction, or other development entities that may have a transactional interest. Adopting and following a written conflict of interest policy creates transparency and promotes organization and program credibility. A program may develop a new policy specific to the program or may apply the same policies already in use for the organization.

Resources
Template Conflict of Interest Policy:

http://www.affordableownership.org/docs/sample-conflict-of-interest-policy/
A Conflict of Interest Policy template written for a nonprofit corporation and designed to be executed by the Board of Directors.

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Standard 1.6 Information Tracking

Systematically track information on transactions, owners, borrowers, and homes.

In order to effectively manage affordable units over time, program staff must be able to securely store data and readily access information about prior transactions.

Required Practices

1.6.a. Maintain an electronic information management system under which program data is complete, secure, and easily accessible.

Given the long-term nature of homeownership, homebuyer loans, and affordability controls, programs need a reliable and secure system to track information on transactions, owners, and homes. Program information should be consistently filed and organized and the data should be readily accessible to program staff. Programs should avoid storing documents solely in paper files. An effective system performs both program management and program evaluation functions.

1.6.b. Collect and file sales and loan closing documents, using a checklist to make sure files are complete.

A comprehensive checklist that ensures sales and loan closing documents are retained for each buyer and property is essential to responding to owner and funder questions and managing resales. Examples of documents to collect include the final HUD-1, all recorded documents, an insurance certificate, Uniform Residential Loan Application (1003), title policy, and lender's appraisal.

Tip: Cornerstone Partnership has developed the HomeKeeper data management software program specifically to meet the needs of affordable homeownership programs.

Resources

HomeKeeper:

http://www.myhomekeeper.org

HomeKeeper is a Salesforce.com-based application designed to help program administrators improve their day-to-day operations, including collecting intake applications, screening buyers for eligibility, and managing the sales process.

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Data Collection Checklist:

http://www.affordableownership.org/docs/data-collection-checklist/

A checklist providing a standardized list of data fields that programs can use to measure program impact and performance. The checklist covers data about the applicant, transaction, sale or resale, property, and other key procedures.

SAMPLE - Document Retention Policy:

http://www.affordableownership.org/docs/sample-document-retention-policy/

A Document Retention Policy template for retaining program files and documents.

Standard 1.7 Operating Budgets
Determine revenue needs and identify sources to meet those needs.

Programs that develop realistic operating budgets will understand whether they face a gap between what it costs to run the program and what the program anticipates earning from program- and development-related income. They are then positioned to prepare for funding shortfalls by identifying additional sources of revenue.

Required Practices
1.7.a. Develop a multi-year (at least two years) operating budget.

Having a program budget helps clarify the funding gap, if any, that will need to be filled to sustain the program. In addition to detailing the current year budget, programs should project operating revenues and expenses for at least the next two years. Ideally, the program budget should separate out staff time and resources allocated to homebuyer selection, unit monitoring, fundraising, marketing, and development/rehab/acquisition, if applicable.

Tip: Many forms of revenue are uncertain or unstable. Identify operating reserves in the organization and program operating budgets to demonstrate that the organization has the ability to maintain continuity in times of financial hardship.

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Resources

CLT Manual "Financial Elements of Sustainability": [Chapter 24 pp 434-436]

http://cltnetwork.org/wp-content/uploads/2014/01/MASTER-CLT-MANUAL.pdf#page=434

An excerpt from the National CLT Network Manual describing key elements for long-term sustainability, including revenue types, cost controls, and reserves. Information is also applicable to non-CLT programs.

GrantSpace℠ - Budget Examples:

http://www.grantspace.org/tools/knowledge-base/Nonprofit-Management/Establishment/budget-examples

GrantSpace℠, a service of the Foundation Center, offers information and resources to support nonprofit fundraising and management. This resource article provides links to sample nonprofit budgets, templates, and guides.

Standard 1.8 Financial Systems

Systematically track revenues and expenditures, segregate restricted funds, and conduct periodic audits.

Programs with adequate financial management systems are less at risk of violating the requirements of their various funding sources and are more likely to maintain financial support for their programs.

Required Practices

1.8.a. Maintain a financial management system to track revenues and expenditures.

An effective financial management system allows programs to accurately keep track of money received, expenses incurred, and outstanding obligations. It is necessary for reporting purposes as well as day-to-day program management.

1.8.b. Demonstrate fund segregation in financial statements.

Segregating funds allows the organization to readily track and report on the status of specific funds. Some funding sources require their investment be segregated and reported separately in the organization's financial statements.

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1.8.c. Conduct audits as required by funding sources, or at least every two years.

Regular audits measure the adequacy of procedures and documents and the effectiveness of program implementation. They are an invaluable tool to identify whether the organization and program has adequate and effective governance, risk management, and internal controls. Some funding sources will require an audit based on the amount of funding provided to the organization or program, and will usually include audit provisions in the funding agreement.

Resources

Nonprofit Accounting Basics - Internal Controls:

http://www.nonprofitaccountingbasics.org/reporting-operations/systems-procedures
Nonprofit Accounting Basics provides a comprehensive set of articles and tools about accounting and financial management. This resource article focuses on basic principles and tips that nonprofits should consider when developing systems and procedures for financial management.

Nonprofits Assistance Fund - Managing Restricted Funds:

https://nonprofitsassistancefund.org/resources/item/managing-restricted-funds
Nonprofits Assistance Fund's resource library provides nonprofit financial management reports, tools, and articles. This resource article defines unrestricted, temporarily restricted, and permanently restricted income, and provides nonprofits with tools to record, report, and manage contributed income and net assets.

National Council of Nonprofits - Audit Guide for Charitable Nonprofits:

http://www.councilofnonprofits.org/nonprofit-audit-guide
The National Council of Nonprofits' website provides links to nonprofit financial management resources on topics including budgeting, financial management policies, financial literacy for boards, cash flow, internal controls, and operating reserve policies. This resource article provides nonprofits with information about audit requirements in each state and offers tips and tools about how to prepare and manage the audit process.

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OPTIMAL STANDARDS FOR HIGH PERFORMING PROGRAMS

⭐ Standard 1.9 Market Research

Document or reference market conditions that support the need for services.

Market research promotes effective program design, provides important information about the financial viability of the program, and is an important component of business planning. Organizations can often rely on market research prepared by third parties, including planning efforts by government agencies and market information compiled by knowledgeable real estate professionals. Program staff can also conduct research to collect detailed information on local income and housing prices, analyze the current levels of homebuyer affordability in the community, and gather information on other existing homeownership programs that share a target market. This analysis should be repeated periodically to ensure that the program continues to meet community needs.

Resources

Business and Program Planning Decision Guide, Section 2: Market Summary: [Page 6]

http://affordableownership.org/docs/business-and-program-planning-decision-guide/
A guide outlining factors that a homeownership program should consider in establishing its target market and sub-markets. It includes a worksheet outlining key data elements that staff should collect when researching the proposed market.

⭐ Standard 1.10 Client Feedback

Establish mechanism to solicit client feedback and incorporate feedback into program design.

Programs that solicit client feedback gain valuable and important insights into how program policies, design, and implementation look and feel to their clients. High-performing programs develop written policies and procedures to incorporate this feedback into the program's system for reviewing and updating program design. There are many methods for soliciting client feedback. Possible formats include an exit interview, exit survey completed at closing, or conducting program surveys or interviews post-closing. Many organizations find that informal discussions with clients and homeowners provide the most valuable feedback, and have a practice of sharing client stories in staff meetings and through staff reports.

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Resources

Sample Exit Survey:

http://affordableownership.org/docs/exit-survey-questions/

A survey template designed to help program staff collect information from the seller of resale-restricted property, including questions about the home, household, transaction, and homeownership experience at the time of resale.

Community Development Corporation of Utah - Client Satisfaction Survey (Salt Lake City, UT):

http://www.affordableownership.org/docs/post-purchase-client-satisfaction-survey/

CDC of Utah's survey to collect data from homebuyers about their experiences purchasing a new home and completing their first-time homebuyer education course.

⭐ Standard 1.11 Community Awareness

Build community awareness and support by actively communicating goals and how services promote goals.

Programs that proactively reach out to the community are most effective at reaching their target markets and building support. Community outreach creates the political and policy environment necessary to further program and organization goals and secure funding. Many programs find a written community outreach plan helps them meet these goals. On-line and print communications that convey program goals and services are widely used by high-performing programs, along with participation in local housing fairs and other events that reach not only their target market, but the entire community.

Resources

Template and Sample Community Outreach Plan:

http://affordableownership.org/docs/template-and-sample-community-outreach-plan/

A template designed to help program staff develop a community outreach plan. Key elements include identifying the market issue, target audience, desired outcomes, implementation resources, and outreach tools.

National CLT Network Spitfire Communications Messaging Resources:

http://cltnetwork.org/?s=spitfire

Communication tools for developing messaging strategies. Resources include webinars, templates, and sample language developed by Spitfire Strategies on behalf of the National Community Land Trust Network.

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⭐ Standard 1.12 Outcomes Measurement

Measure homebuyer activity and program impact.

Measuring program outcomes is essential to evaluating the success of a program in meeting its stated goals. High-performing organizations establish systems to measure and track key metrics, such as the number of families assisted, the number of new homeowners, the number of resales, resources invested, initial affordability levels, and affordability upon resale. In addition to measuring outcomes, high-performing programs also generate periodic reports for various audiences. These reports are used to build interest, support, and trust in the program.

Resources

HomeKeeper National Data HUB:

http://myhomekeeper.org/why-homekeeper/the-homekeeper-national-data-hub

Information about the HomeKeeper National Data Hub, a Salesforce.com platform that aggregates performance data from HomeKeeper members across the country. The Hub enables programs to calculate a standardized set of social impact metrics, prepare customized reports, and compare their performance against their peers.

Sample Entry Survey and Sample Exit Survey:

http://affordableownership.org/docs/sample-entry-survey/
http://affordableownership.org/docs/sample-exit-survey/

Surveys designed to help program staff gather information from the buyer of a resale-restricted property at the time of program entry and exit. The entry survey collects data on property, house-hold, financing, housing type, and neighborhood quality at the time of program entry. The exit survey collects data on earned equity, housing type, and neighborhood quality at time of resale. Programs can use this before and after data to tell stories about how their shared-equity program impacts outcomes for individuals and families.

2.

AFFORDABLE PRICING

Excellent programs set home sales prices to be affordable to the target market, competitively below market rates, and with an eye to preserving affordability for future generations of homebuyers.

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2. AFFORDABLE PRICING

Successfully pricing homes for sale is really more art than science. This is especially true for homes with resale restrictions. Pricing scenarios must factor in basic assumptions such as interest rates, housing costs, target household incomes, and minimum down payment requirements. They must ensure that the house is priced appropriately for the first family and, in conjunction with the program's resale formula, will remain affordable for future generations.

Exclusions/Modifications: Standard 2.2 does not apply to programs using subsidy recapture (shared appreciation mortgages, silent seconds, or other repayable loan types) mechanisms to preserve affordability.

Standard 2.1 Pricing Strategy Design
Identify program parameters and cost assumptions when designing an affordable pricing strategy.

Developing an effective pricing strategy requires careful planning and analysis. Identifying your program's funding source requirements, target market population, and housing cost assumptions ensures that a home is priced appropriately.

Required Practices
2.1.a. Maintain a written statement of income and affordability restrictions imposed by funding sources.

Programs are frequently bound by external restrictions defined by funders – in particular, public funding sources – over which they have no control. These restrictions may limit whom the program is able to serve.

2.1.b. Maintain a written statement of program target market, which may be lower than that imposed by funding sources.

Sometimes programs wish to serve a target market that is narrower than the one imposed by the funder. Programs should make sure their target market is clearly defined.

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2.1.c. Clearly state assumptions.

Every pricing formula is based on a variety of assumptions, which vary among programs and geographic areas. At a minimum, pricing formula assumptions should include details about:

- Housing affordability ratio (typically 25 - 35% of gross household income. In some markets, households may have to pay a larger percentage of their income for housing costs.)
- Housing costs (taxes, insurance, HOA dues, maintenance costs, etc.)
- Loan product (interest rate, mortgage insurance)
- Down-payment (as a percentage of home price)
- Target household income

Tip: Consider using very conservative assumptions in the pricing formula to promote future affordability. Assuming higher interest rates, lower incomes, or higher condo or HOA fees can create a buffer to changing market conditions and increase future affordability. HOA fees in particular should be reviewed to make sure they're comparable to rates in other projects.

Tip: Consider using a target income of at least 10% below the maximum in order to create a wider window of affordability. Targeting the initial sales price to the lowest income buyer possible opens this window of opportunity for buyers with a range of incomes up to the eligibility cap. It also provides a cushion for future affordability.

Tip: Programs that use HOME subsidies are required to set a purchase price that does not exceed a certain percentage of the median purchase price as established by the U.S. Department of Housing and Urban Development (HUD). Programs that receive HOME subsidies will need to evaluate pricing in the context of these requirements.

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Resources

SAMPLE – Eligibility Criteria Plan:

http://www.affordableownership.org/docs/sample-eligibilty-criteria/
A document outlining key elements and sample language to help programs develop eligibility criteria policies, including definitions of household income, first-time homebuyer status, down payment requirements, and examples of preference criteria. It also describes acceptable documentation for first-time homebuyer qualification.

City of Dublin, CA Initial Pricing Policy:

http://affordableownership.org/docs/dublin-ca-initial-pricing-policy/
Methodology for calculating initial sales price for affordable homes in the City of Dublin, CA.
It includes an example of the calculation for a hypothetical development.

Affordable Pricing Decision Guide: [PAGE 7 & 8]

http://www.affordableownership.org/docs/affordable-pricing-decision-guide/
A description of policy issues and considerations that programs can utilize to establish an affordable price. A worksheet is provided to complete the calculation.

Pricing for Affordable Homeownership Programs Template:

http://www.affordableownership.org/docs/sample-pricing-template/
A template to help homeownership programs calculate the initial sales price of their homes by outlining key criteria used in a formula. This document includes an alternate calculation for programs that rely on subsidized or deferred loans.

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Standard 2.2 Avoid Non-permanent Subsidies

Make home sales prices affordable to the target market without additional (non-permanent) outside subsidy

If additional subsidy, such as down payment assistance, is necessary in order to make the home affordable initially, then the home is unlikely to be affordable to future purchasers, particularly if those purchasers are not able to assume the loan.

Required Practices

2.2.a. Design a pricing formula that maintains affordability without the program needing to provide subsidy to future homebuyers.

Price homes to ensure initial affordability without direct subsidy to homebuyers or ensure that subsidy provided to the initial homebuyers can be assumed by future homebuyers.

Tip: Consider establishing reserves in the event that additional subsidy is needed to ensure future affordability.

Resources

National CLT Manual "Subsidy Structure": [Chapter 19 pp 374-376]

http://cltnetwork.org/wp-content/uploads/2014/01/MASTER-CLT-MANUAL.pdf#page=374
An excerpt from the National CLT Network Manual explaining the difference between permanent and homebuyer-by-homebuyer subsidies, and outlining potential issues using the latter. This information is applicable to non-CLT programs as well.

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Standard 2.3 Market Comparison
Set home sales prices below comparable market rate homes.

In order to sell in a reasonable time frame, affordable homes must be priced far enough below market for buyers to make a rational economic choice to purchase the resale-restricted home rather than stretch to purchase a market rate home.

Required Practices
2.3.a. Compare the affordable base price to the price of comparable homes.

By comparing the affordable base price to the price of comparable homes, programs can ensure their homes are competitively priced and help avoid high holding costs while homes sit on the market.

Tip: Compare the monthly payment associated with the affordable base price to market rents in the area. While people are often willing to pay a premium to own their home and gain the security and other benefits of homeownership, it can be helpful to see just how high that premium is.

Tip: Compare the affordable base price to the appraised unrestricted value of the home. By collecting appraisals of the unrestricted value of homes, programs can ensure that homes are competitively priced and, in strong markets where unrestricted value exceeds development costs, track the additional value leveraged by the community investment.

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Standard 2.4 Review and Update Pricing Formula
Periodically review and update pricing formula.

As market conditions change, programs must review and, if necessary, adjust their pricing formula to ensure ongoing affordability. Periodic review also allows programs to incorporate best practices and benefit from lessons learned. Ideally, programs would have a policy to review their pricing formula at least every five years or whenever there's a major change in market conditions.

> We track the median income of our homebuyers, sales prices relative to appraised values, and sale prices relative to market rate sales to make sure there is a significant enough buffer between what is happening in the market and what we're doing. That way we can see if subsidy is being retained. We also track affordability based on different indices. So we've actually changed our formula four times…based on a growing awareness of what is changing in the market.

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⭐ Standard 2.5 Back-up Strategy

Establish a strategy to address homes that do not sell within a reasonable timeframe.

If homes do not sell as anticipated, programs can suffer from unsustainable holding costs and delayed revenue. Ideally, programs would have written procedures to review pricing and marketing strategies and steps to move unsold homes (such as lowering the price, offering incentives, or increasing marketing). A written back-up sales strategy might include lease-to-own, a reserve fund to repurchase units languishing on the market, allowing units to sell to over-income buyer with the covenant in place, or allowing units to sell at market rate and recapturing the subsidy.

✅ *Tip:* Programs that receive HOME subsidies are required to sell units within a specified number of months after construction completion. If not sold within this timeframe, the unit must be converted to permanent rental housing or the HOME investment must be repaid. Programs should work closely with the participating jurisdiction to ensure they understand required deadlines.

3.

3. MORTGAGE FINANCING

Excellent programs ensure that the buyers'
home loans are appropriate and affordable,
work with lenders to keep approvals and closings
on track, and strive to protect against default
and loss of affordable units.

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3. MORTGAGE FINANCING

Some programs directly provide home purchase financing to their buyers, while many more play an advisory and oversight role, helping buyers locate and obtain appropriate financing for their home purchase. It is important for the loan approval process to be clear and fair, and for homebuyers to have a choice of safe loan products that fit within the affordable pricing model. It's also important for programs to prevent unauthorized refinancing or over-encumbrances of properties, and to have a plan to remedy this type of situation should it occur.

Exclusions/Modifications: Habitat for Humanity affiliates that have their own specialized products, policies, and procedures are exempt from Standard 3.3.

Standard 3.1 Review First Mortgage Loans
Review and approve first mortgage loans in a timely and consistent manner.

Written loan guidelines ensure that borrowers take out loans that fit within the affordable pricing model and are not predatory. It is important for programs to clearly explain the procedures for first mortgage review and approval. For some applicants, the lender approval process can be lengthy. Clearly stated response times avoid confusion among program staff and applicants about the applicants' rights to the unit. They also expedite home sales and ensure fairness and consistency.

Required Practices
3.1.a. Establish criteria for acceptable first mortgage loan products, including all of the following components:
- **Loan types allowed and expressly NOT allowed**
- **Interest rate, expressed as a percentage or tied to an index**
- **Term**
- **Discount and origination points**
- **Loan to value ratio**
- **Front and back end ratios**
- **Credit requirements**

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Defining the parameters of acceptable first mortgage loan products ensures product consistency with t he affordable pricing model and assists buyers to find the right mortgage product.

3.1.b. Maintain written procedures for first mortgage loan review and approval, addressing all of the following components:

- **Required documents from homeowner and lender**
- **Authorization for program and lender to share information**
- **Response times for applicants to provide required documentation**
- **Timeframe for program review**
- **Review and approval fees (if any)**
- **When exceptions (if any) to program policies will be considered**

Written procedures for first mortgage loan review and approval expedite closings and build positive relationships with lenders and buyers. They also ensure fair and consistent treatment of buyers and lenders.

Tip: Programs may wish to consult the most recent mortgage rules issued by the Consumer Financial Protection Bureau (CFPB) to align the program's mortgage criteria with the CFPB's qualifying mortgage requirements.

Resources

SAMPLE – Permitted Mortgage & Refinancing Policy:

http://www.affordableownership.org/docs/sample-permitted-mortgage-refinancing-policy/
A document providing sample language for acquisition loan types allowed and disallowed and criteria for allowable refinancing and home equity loans. The document also includes a sample notice to lenders of program restrictions and post-closing documentation procedures.

City of San Francisco, CA – Homebuyer Loan Requirements:

http://affordableownership.org/docs/san-francisco-ca-homebuyer-loan-requirements/
Criteria established for financing of Below Market Rate (BMR) units through the Mayor's Office of Housing Inclusionary Housing BMR Program in San Francisco, CA. Included are acceptable ratios and a list of loan types allowed and disallowed (e.g. adjustable rate and balloon payment loans).

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City of Boulder, CO Mortgage Policies:

https://www-static.bouldercolorado.gov/docs/Mortgage-Policy-1-201401091529.pdf
A document describing the City of Boulder, CO, policies for permitted mortgage loans. It includes general requirements, permitted purchase and refinance loans, home equity loans, and procedures for approval.

Standard 3.2 Review Subordinate Loans and Refinances
Review and approve subordinate mortgages, refinance loans, and home equity loans in a timely and consistent manner.

A clear loan review and approval process ensures that buyers do not borrow more than the restricted price of their home or enter into a predatory loan. Clearly stated procedures ensure fairness and consistency, improve response times, and avoid confusion among program staff and applicants about applicants' rights to borrow additional funds.

Required Practices
3.2.a. Establish criteria for acceptable subordinate loans, refinance loans, and home equity loans (if applicable), including all of the following components:
- **Acceptable reasons for loan request**
- **Maximum cash out (if any)**
- **Loan types allowed and expressly NOT allowed**
- **Interest rate, expressed as a percentage or tied to an index**
- **Term**
- **Discount and origination points**
- **Loan to value ratio**
- **Front and back end ratios**
- **Credit requirements**

Defining the parameters of acceptable loans ensures that buyers do not borrow more than the restricted price of their home or enter into a predatory loan.

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3.2.b. Maintain written procedures for the review and approval of subordinate mortgages, refinance loans, and home equity loans, addressing all of the following components:

- **Required documents from homeowner and lender**
- **Authorization for program and lender to share information**
- **Response times for applicants to provide required documentation**
- **Timeframe for program review**
- **Review and approval fees (if any)**
- **When exceptions (if any) to program policies will be considered**

Written loan procedures build and support positive relationships with lenders and buyers.
They also ensure institutional knowledge, and fair and consistent treatment of buyers and lenders.

Resources

SAMPLE – Permitted Mortgage & Refinancing Policy:

http://www.affordableownership.org/docs/sample-permitted-mortgage-refinancing-policy/
A document providing sample language for acquisition loan types allowed and disallowed and criteria for allowable refinancing and home equity loans. The document also includes a sample notice to lenders of program restrictions and post-closing documentation procedures.

SAMPLE- Refinance Loan Review Request & Compliance Form:

http://www.affordableownership.org/docs/sample-refinance-loan-review-request-compliance-form/
A sample form designed for homeowners who are requesting approval to refinance resale-restricted homes.

Chicago CLT First Mortgage & Refinancing Guidelines:

http://www.affordableownership.org/docs/first-mortgage-and-refinancing-guidelines/
A one-page document from the Chicago Community Land Trust providing guidelines to lenders, homebuyers, homeowners, and counseling agencies about the type of mortgage loans that are allowed and the circumstances under which refinancing is permitted.

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Standard 3.3 Choice in Lending Products and Institutions

Ensure adequate choice of mortgage lending products and approved mortgage lending institutions.

While programs can and should determine acceptable loan types and work with approved lenders, they should strive to offer more than one lender and loan product. Making sure that borrowers have a wide choice of lenders and loan products within program parameters protects the program from accusations of unethical business dealings, expands the pool of potential buyers, and allows buyers to obtain loans that best suit their needs.

Required Practices

3.3.a. Identify at least two lenders that have mortgage loan products that meet program requirements. In markets where lenders are unwilling to make loans to homes within the program, document good faith efforts to identify and secure participating lenders (e.g. conversations, meetings).

Identifying lenders familiar and ready to work with the program can be a time-consuming and challenging process, yet it is well worth the effort to provide borrowers with as many lending options as possible. Multiple lenders promote healthy competition that leads to favorably priced products for buyers. Programs that direct buyers to multiple lender options also avoid the appearance of steering buyers to a specific lender.

Resources

Approved Lender List Template:

http://www.affordableownership.org/docs/sample-approved-lender-list/
A template designed to help programs list approved lenders and loan officers.

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Standard 3.4 Legal Safeguards

Use legal safeguards to prevent unauthorized refinancing or over-encumbering property beyond affordable monthly payments and affordable resale price.

Written loan guidelines may not be enough to protect owners from predatory lending and safeguard affordable units from homeowners' over-borrowing. Refinance and home equity loan language in deed restrictions or ground leases can strengthen the program's ability to prevent unauthorized refinancing.

Required Practices

3.4.a. Include provisions in recorded legal documents (e.g. ground lease, deed of trust, land title, promissory note, regulatory and monitoring agreements, proprietary lease) that require program approval of refinancing or other encumbrances.

Provisions in legal documents requiring approval of refinancing or other encumbrances increase the likelihood that the program will have the opportunity to implement requirements and procedures that protect owners from predatory lending and over-borrowing.

Tip: Some programs have a procedure to check public records to monitor liens and encumbrances annually.

Resources

Model CLT Lease, Article 8, Financing: [Page 14, Article 8 Model Ground Lease]

http://cltnetwork.org/wp-content/uploads/2014/01/Model-Lease-01-2011.pdf
The National CLT Network Model Ground Lease detailing mortgage procedures for purchase and refinancing.

City of Watsonville, CA Refinance of First Mortgage Loan:

http://www.affordableownership.org/docs/watsonville-refinance-of-first-mortgage-loan/
An excerpt from the City of Watsonville, CA Regulatory Agreement describing city procedures for approving the refinancing of first mortgage loans.

Monterey County, CA Refinance of First Mortgage Loan:

http://www.affordableownership.org/docs/monterey-county-ca-refinancing/
An excerpt from Monterey County, CA's Resale Restriction Agreement detailing allowable refinancing criteria and permitted use of proceeds.

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Standard 3.5 Notice of Nonpayment and Default

Create mechanisms to receive and respond to notification of nonpayment and default.

Early notification of default allows the program to take a proactive approach toward helping owners cure the default, provide foreclosure counseling and prevention resources, and preserve housing affordability long term. Written procedures for responding to a notice of nonpayment or default ensure the program responds effectively and consistently when defaults occur, and preserve institutional knowledge.

Required Practices

3.5.a. In states that allow for recorded requests for copies of notices of default, programs should record a Request for Notice for each unit in the program portfolio. In states that do not allow for recorded Requests for Notice, programs should document procedures for periodically checking with owners, lenders, and HOAs.

When the program is notified of default or nonpayment, it can help owners with financial counseling and foreclosure prevention. Even after a Notice of Default is recorded, the program can help the owner and also has an opportunity to preserve the affordable unit within the program and prevent loss through foreclosure.

3.5.b. Document procedures for responding to notices of default.

Having written procedures for responding to owner default provides guidance to program staff, preserves institutional knowledge when staff changes, and ensures fair and consistent treatment of owners.

Tip: A new Request for Notice must be recorded for each new loan and for any change of address of the organization receiving the notice.

Tip: Many programs have procedures to periodically check with lenders about buyers' loan status. This works especially well when the program has strong relationships with lenders and servicers.

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City of Redmond, WA Notice of Default in Deed Covenant: [Page 14, Section 9.1]

http://cltnetwork.org/wp-content/uploads/2014/08/Deed-covenant-owner-occupied-Redmond.pdf
Section 9.1 of the City of Redmond, WA's resale covenant requiring that a request for copy of notice of default to be filed with the county recorder.

Fairfax County, VA Notice of Default Language in Affordable Covenant: [Page 7, Section F.]

http://cltnetwork.org/wp-content/uploads/2014/08/Affordable-Dwelling-Unit-deed-covenant-owner-occupied.pdf
Section F of Fairfax, VA affordable covenant requiring the lender to notify the county in the event of a delinquency or default on the deed of trust or mortgage.

Hello Housing Notice of Default Memo (San Francisco, CA):

http://www.affordableownership.org/docs/notice-of-default-memo/
A memo from the nonprofit Hello Housing describing best practice procedures that jurisdictions should undertake to protect a resale-restricted property upon receiving a Notice of Default letter.

Sample Permitted Mortgage Agreement:

http://www.affordableownership.org/docs/sample-permitted-mortgage-agreement/
An agreement between the Lender and Homeowner requiring the lender to notify the homeownership program in the event of a default on the mortgage, acceleration of the note, or acquisition of title.

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Standard 3.6 Safeguard Investment

Establish rights to safeguard program's investment in the event of default or foreclosure.

By recording a right to cure default and first right of purchase in the event of foreclosure, programs have the opportunity to preserve the initial investment and the keep the affordable home in the program.

Required Practices

3.6.a. Include provision in recorded legal documents that the program has the right to cure default on the owner's behalf.

Curing default on an owner's behalf can preserve the home in the program. It can also provide an opportunity for the program to assist homeowners to improve their financial position so they can stay in the home.

3.6.b. Include program first right of refusal or first right to purchase in recorded legal documents.

When programs have the right to repurchase a program home, they can decide whether to exercise that right depending upon the organization, program, and unit status.

Tip: Some programs have found lenders willing to sign a Permitted Mortgage Agreement that gives the program ensured notification of 30-day, 60-day, and 90-day delinquencies by the lender.

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> In our restrictive covenant we do have language to the effect that we should be notified in the event of foreclosure. Most of our lenders think that's impossible, but we have a very, very good relationship with our buyers. We've only ever had one person who went into default, but when she did, she came to us and let us know she was in trouble. I think keeping in touch with your people is very important, but other things are, too. In order to keep our properties, we must have something there to protect us from losing them.

Resources

Washington D.C. Rights of Purchase Clause in Inclusionary Development Covenant:
[Page 9, Article 8]

http://cltnetwork.org/wp-content/uploads/2014/08/Deed-covenant-rental-and-owner-occupied-DC.pdf
Article 8 of the Washington, DC inclusionary development covenant describing notice of default and foreclosure procedures for the restricted homes. A right of purchase clause is in Section 8.4(b).

City of Redmond, WA Right of First Refusal Language in Deed Covenant: [Page 13, Section 9.2]

http://cltnetwork.org/wp-content/uploads/2014/08/Deed-covenant-owner-occupied-Redmond.pdf
Section 9 of the Redmond, WA deed covenant describing notice of default provisions and the city's right of first refusal to purchase the home prior to a trustee's sale or foreclosure.

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National CLT Manual "Dealing with Mortgage Default and Foreclosure":
[Chapter 25 pp 449–451]

http://cltnetwork.org/wp-content/uploads/2014/01/MASTER-CLT-MANUAL.pdf#page=449
An excerpt from the National CLT Network Manual providing information for a CLT faced with mortgage default and foreclosure. The section describes the difference between judicial and non-judicial foreclosure.

Chicago CLT Option to Purchase if Default (Chicago, IL):

http://affordableownership.org/docs/chicago-il-option-to-purchase-if-default/
An excerpt from Chicago Community Land Trust Restrictive Covenant describing an option to purchase in the event of a default by the homeowner.

City of San Francisco, CA Option to Purchase if Default:

http://affordableownership.org/docs/san-francisco-ca-option-to-purchase-if-default/
An excerpt from the City of San Francisco's Program Restriction and Option Agreement describing events of default and the process for the City to exercise its option to purchase in the event of a default.

City of Boston, MA, Option to Purchase in Default:

http://affordableownership.org/docs/boston-ma-option-to-purchase-in-default/
A detailed clause from the City of Boston, MA's Affordable Housing Covenant documenting the program's right to purchase the restricted home in the event of a default. This excerpt describes events that trigger the option, and the procedure for exercising the option.

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⭐ Standard 3.7 Lender Cultivation and Approval

Cultivate and approve partner lending institutions/loan officers.

Knowledgeable and supportive lenders are invaluable to successful programs. Because they understand program restrictions, eligibility criteria, the application and approval process, and their responsibilities in the transaction, partner lenders expedite transactions and reduce the possibility that loans will fall through at the last minute. High-performing organizations maintain a written list of approved lenders and regularly reach out to educate and establish relationships with new lenders, which are then added to the list, creating a wide range of choices for buyers.

Resources

Advantages of First Mortgage Lending Flyer:

http://cltnetwork.org/wp-content/uploads/2014/01/Advantages-of-Mortgage-Lending-to-CLTs.pdf
A flyer describing the advantages for lenders in providing mortgage loans on CLT homes and including information on CLT performance.

4.

4. FAIR HOUSING & BUYER SELECTION

Excellent programs actively reach out to their target market, have an open and fair process to sell homes to qualified, informed buyers, and clearly explain the resale process to the seller and to prospective buyers.

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When demand for program services is high, programs can assume they are meeting the needs of their community while inadvertently leaving out some segments of that community. Historically, not all groups have had the same access to homeownership. Programs that analyze the demographics and language needs of their communities can run inclusive programs that help rectify historic wrongs. Programs that require general homebuyer education, clearly explain all aspects of the buyer eligibility and selection process, and disclose all program restrictions and ongoing requirements will produce well-prepared buyers through an open and fair process.

Standard 4.1 Target Marketing

Take steps to reach program's target market and to affirmatively further Fair Housing policies.

When programs take deliberate steps to reach their target markets and work to affirmatively further Fair Housing policies, they are more likely to reach buyers from underserved and historically discriminated against populations, and, consequently, meet the needs of the whole community.

Required Practices

4.1.a. Maintain a written marketing plan that includes all of the following components:

- **Target market (income level, geographic region) and efforts to reach target market**
- **Groups least likely to apply and efforts to reach groups least likely to apply**
- **List of commercial media and advertising**
- **List of community contacts**
- **Description of staff training**
- **Description of how marketing performance is evaluated.**

Programs sometimes fail to reach their target populations, and the demographics of people served by the program do not always reflect the demographics of the community. A written marketing plan identifies the strategies that the program will use to reach out to diverse populations.

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4.1.b. Include Fair Housing language and the Fair Housing logo on marketing collateral.

Use of Fair Housing language and the Fair Housing logo informs potential buyers and the community that the program encourages and supports participation by a diverse group of people. Programs that receive federal funding will often be required to include specified language in their marketing materials.

Tip: For projects of five or more HOME-assisted units, the Participating Jurisdiction will impose affirmative marketing requirements. These requirements may be more stringent than those the program normally follows.

Tip: Provide on-going Fair Housing training for all staff that conduct program marketing or interface with clients. Document when staff receives training.

Resources

Marketing and Outreach Plan Outline:

http://affordableownership.org/docs/sample-marketing-and-outreach-plan-outline/
A document outlining the key elements in a marketing plan for resale-restricted homes. Sections include project information, marketing strategies, selection preferences, waitlist procedures, and eligibility requirements.

Affirmative Marketing Plan Worksheet and Template:

http://www.affordableownership.org/docs/sample-affirmative-marketing-plan-worksheet-and-template/
A worksheet providing program staff with an outline of questions to consider when preparing an affirmative fair marketing plan for resale-restricted homes.

Ecumenical Association for Housing (EAH) Marketing Plan:

http://www.affordableownership.org/docs/marketing-plan-for-sale/
A marketing plan prepared by EAH for a project in Marin County, CA that includes a description of the buyer selection process, fair housing marketing plan, selection preferences, lottery, and buyer qualification.

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State of Massachusetts Marketing Guidelines:

http://affordableownership.org/docs/state-of-mass-marketing-guidelines/
A document from the State of Massachusetts designed to help developers of affordable for-sale units prepare an Affirmative Fair Housing Marketing Plan that includes the process for resident selection.

**Community Development Corporation of Utah, Affirmative Fair Marketing Plan
(Salt Lake City, UT):**

http://www.affordableownership.org/docs/affirmative-marketing-plan/
An Affirmative Fair Marketing plan prepared by the CDC of Utah to guide the organization's marketing and outreach efforts for all housing development activities undertaken throughout the State of Utah.

HUD Fair Housing Logo:

http://portal.hud.gov/hudportal/HUD?src=/library/bookshelf11/hudgraphics/fheologo
A link to Fair Housing graphics from HUD that can be used on marketing materials.

Standard 4.2 Limited English Proficiency
Don't limit program to English speakers.

Program materials available to non-English speakers increase the pool of potential buyers and the likelihood that the program will reach its target population and serve the community.

Required Practices
4.2.a. Conduct an analysis of language needs in the community at least every three years.

For a program to successfully provide materials and outreach to a broad range of potential participants, it must know the language needs of potential participants. Programs can identify language needs by reviewing census data and local community health and school district planning documents. The analysis of language needs in the community will identify the languages most commonly spoken and help prepare the program to gear outreach and materials to more commonly spoken languages.

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4.2.b. Maintain a plan for marketing to and working with limited-English speakers.

An effective marketing plan will include strategies for reaching limited-English speakers. The plan should address how the program will respond to requests for interpretation and translation, and how the program will assist limited-English speakers in understanding the program.

Tip: Consider creating formal or informal relationships with organizations whose staff has a range of language skills. Refugee organizations, social service organizations, schools and universities, and places of worship often have a broad range of foreign-language speaking staff and volunteers. These organizations may also be willing to assist with targeted outreach. Programs should also consider including the cost of interpretation and translation services in the program's operating budget, particularly if outreach efforts could increase requests for these services.

Tip: Consider creating a database of foreign-language speaking staff who are willing to be contacted to provide translation assistance to persons with limited or no English proficiency who call or come to the office with questions.

Tip: Low-cost telephone interpretation services are available in many areas.

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> What we have done is try to encourage family members to provide translation for the general overview, but if someone is going through an actual purchase process for our program land lease documents, we would pay for an interpreter to be at that meeting. We also require the buyer to review documents with an attorney and we would pay for that as well.

Resources

Champlain Housing Trust Limited English Proficiency (LEP) Procedures:

http://www.affordableownership.org/docs/limited-english-proficiency-household-procedures/
Champlain Housing Trust's policies and procedures for serving Limited English Proficiency households, including details on when the agency will pay for translation services.

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Standard 4.3 Homebuyer Education

Require buyers to complete general homebuyer education prior to purchasing a home.

Purchasing a home for the first time is a complex and daunting procedure. Homebuyer education helps prepare buyers and raise their awareness of and engagement in the process, which enables them to better succeed as homeowners in the long run.

Required Practices

4.3.a. Require and verify in writing that all buyers complete a general homebuyer education course prior to purchase.

General homebuyer education has been proven to reduce delinquency and foreclosure rates and help homebuyers succeed. This type of course is usually provided by the program or through third-party housing counseling agencies. Most courses will provide a certificate of completion.

> We partner with 3 certified housing counseling agencies…[as] most of our funders require homebuyer education…They also support the selection process in terms of participating in those decisions.

Tip: HUD sponsors housing counseling agencies throughout the country that can provide advice on buying a home, renting, defaults, foreclosures, and credit issues.

Resources

HUD Approved Housing Counseling Agencies:

http://www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm

A list of agencies for each state, which is searchable by type of counseling service, such as pre-purchase counseling or mortgage delinquency and default resolution counseling.

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Standard 4.4 Plain Language Documentation

Explain eligibility criteria, selection process, and program restrictions clearly and in plain language.

Programs can avert political or legal problems and frustration on the part of applicants, buyers, and sellers with a transparent, fair, and consistent buyer selection process. Eligibility criteria must be fully explained to ensure initial and subsequent buyers are eligible to buy available homes and fall within the target market for the program. Clear eligibility criteria and transparent selection processes are also important to ensuring that buyers are aware of all program restrictions.

Note: The following practices apply to first sales and any subsequent resales.

Required Practices

4.4.a. In addition to a general homebuyer education course, require and verify in writing that all purchasers complete counseling and/or education specific to the particular program as part of the application process.

Purchasing a home with affordability and resale restrictions adds another layer of complexity to an already complex and daunting process. Education or individual counseling to explain program requirements helps buyers to make informed decisions about entering into the program.

4.4.b. Provide written information to initial and subsequent buyers regarding program restrictions, including all of the following components:

- **Plain language disclosure statement, reviewed with buyers in advance of closing**
- **Calculated example of price restrictions or recapture provision**
- **Post-closing requirements (e.g. periodic certification, documentation that will be required, and maintenance expectations)**

Written disclosures, signed by the buyer in advance of closing, provide evidence that the program has reviewed restrictions with the buyer. Examples of price restrictions or recapture provisions help buyers to understand how much return they might receive when they resell, and how that return will be calculated. Informing buyers up front about ongoing maintenance requirements, annual certifications, or any other ongoing post-closing requirements will make them more likely to cooperate or comply.

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4.4.c. Provide written eligibility criteria to initial and subsequent buyers covering all of the following components:

- **Income calculation**
- **Treatment of assets**
- **Determination of household size**
- **Down payment requirements**
- **Credit score requirements**
- **Loan qualification requirements**
- **Allowable loan types**
- **First-time homebuyer requirements**

Buyers need to understand their eligibility for the program. Programs sometimes fail to fully explain who is eligible to buy the available homes or to ensure that buyers fall within the target market for the program. Written criteria ensure consistency and provide buyers with a reference when they have questions.

4.4.d. Provide written information about the buyer selection process to initial purchasers covering all of the following components:

- **Selection preferences, if any**
- **Methods by which applications will be ranked, processed, and approved**
- **Lottery procedures (if any)**
- **How program determines which home the applicant will purchase**

When the selection process and procedures are unclear, applicants can become frustrated and angry. Providing written criteria about the program's processes averts misunderstanding and creates trust.

> It's extremely necessary to have these restrictions clear in plain language…at the end of the day if you're not explaining in a way that the buyer and the seller understand and can explain back to you and to whoever is in their network (family, friends) supporting them, the document isn't worth very much.

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4.4.e. Provide sellers with written procedures on listing their home and identifying eligible buyers, including a description of anticipated costs.

When owners contact the program because they are ready to sell, written procedures provide them with the guidance they need to comply with home listing and buyer eligibility requirements. A description of typical sellers' costs reduces surprises when the home is sold.

Resources

Sample Eligibility Criteria:

http://www.affordableownership.org/docs/sample-eligibility-criteria/
Sample language and an outline to help program staff develop eligibility criteria, including defining acceptable documentation for income verification, first-time homebuyer status, and asset limits.

Sample Appropriate Units Policy and Definition of Household:

http://affordableownership.org/docs/sample-appropriate-units-policy-and-definition-of-household/
A sample policy for appropriate unit size, definition of a household, and verification methods for confirming household size.

City of Northborough, MA - Dunia Gardens Lottery and Application:

http://www.affordableownership.org/docs/northborough-ma-dunia-gardens-lottery-information/
A lottery and application packet from the City of Northborough, MA's Dunia Gardens project, including lottery procedures, description of its Affirmative Fair Housing Marketing Plan, and a Frequently Asked Questions section (FAQs).

Sample Resale Price Calculation Notice:

http://www.affordableownership.org/docs/sample-resale-price-calculation-notice/
Sample language to remind homeowners about the resale price restrictions in their Resale Agreement, including examples of how a resale price formula is calculated.

Mandela Gateway Townhomes Supplemental Information Packet (Oakland, CA):

http://www.affordableownership.org/docs/supplemental-information-packet/
An information packet for prospective applicants for the Mandela Gateway Townhomes project in Oakland, CA, including information about eligibility requirements, financing options, and resale restrictions.

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Humboldt Community Development Land Trust Homebuyer Manual, (Arcata, CA):

http://www.affordableownership.org/docs/homebuyer-manual/
A manual from the Humboldt Community Development Land Trust in Arcata, CA, providing an overview of the agency's homeownership opportunities, eligibility criteria, and application process to prospective buyers of new and existing CLT homes.

Standard 4.5 Application Review Process
Implement a review process so that applicants who were not approved or are deemed ineligible by the program may request a second review of the circumstances under which their application was denied.

Program applicants who are found ineligible sometimes erroneously conclude that they were rejected due to their race or membership in some other legally protected category. A review process demonstrates openness and protects the program from accusations of unfairness.

> Sometimes things come up -- fraud, higher income, or other undisclosed information. If somebody thinks we've calculated wrong or disagrees, we'll sit down with them. The front end is clear, but sometimes it does get dicey if there is disagreement. We give them a fair opportunity.

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Required Practices

4.5.a. Maintain a written review process including all of the following components:

- **Who will make final decision (e.g. hearing officer, ED, board, city council)**
- **How to initiate a review (e.g. upon written request)**
- **Timeframe for filing and consideration (e.g. within how many days)**
- **Whether applicant will have opportunity to meet with organization or present additional information**
- **Whether subsequent reviews are possible**

Strong relationships with buyers and a willingness to discuss the application process are most often enough to help ineligible applicants understand the reasons behind a denial. Still, program staff may make mistakes and overlook information. A formal review process with written policies and procedures will help ensure that those applicants who believe they may have been treated unfairly have an opportunity to feel thoroughly heard.

4.5.b. Notify ineligible applicants in writing and provide a copy of the process for requesting a review.

When applicants know that they have an opportunity to request a review of their application, it increases the likelihood that they will view the program as transparent.

> 66 To have the full faith and trust of the community, I think it's vital to have a (review) policy. It adds to the legitimacy of what we do, even if it is never used. 99

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Resources

Sample Appeals Policy:

http://www.affordableownership.org/docs/sample-appeals-policy/

A sample policy statement providing programs with guidance on structuring their appeals process.

City of Mountain View, CA Appeals Process:

http://affordableownership.org/docs/city-of-mountain-view-appeals-process/

Language from the City of Mountain View, CA program's administrative guidelines describing the program's appeals procedure.

City of Lakes Community Land Trust– Appeals Procedure (Minneapolis, MN):

http://affordableownership.org/docs/city-of-lakes-community-land-trust-appeals-procedure/

Language from the City of Lakes Community Land Trust's program manual describing its appeals procedure.

Standard 4.6 Selection Preferences

Consult with legal counsel or Fair Housing agency to ensure eligibility criteria and selection preferences (if any) comply with Fair Housing laws.

Selection preferences in some jurisdictions have been found to violate Fair Housing laws. Reviewing criteria with legal counsel or a Fair Housing agency can help programs understand the risks associated with certain types of preferences, and to structure a selection process that does not have a discriminatory impact on any protected classes.

> Our staff is educated on fair housing and we know what the laws are. But we get asked by partners to do things that are not consistent with fair housing practices. It might be good to have [this standard] in place so we can have a more teaching type of conversation with our partners.

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Required Practices

4.6.a. If programs have selection preferences of any kind or eligibility requirements based on residency, consult with an attorney or fair housing agency to understand whether these requirements or preferences might conflict with Fair Housing laws.

Programs may be inadvertently at odds with Fair Housing regulations through the use of residency-based eligibility requirements or certain selection preferences, but selection preferences can also further important program objectives. Programs should take steps to understand the risks so they can meet their objectives while maintaining a selection process that is not discriminatory.

> Our funder wanted us to preference buyers from certain neighborhoods and Fair Housing said that would be a violation. We had to go back to our funder and say that was not going to work. I think it is good practice to check and not just go with what the funders say.

Resources

Local Preference and Fair Housing Webinar Slides, August 2012:

http://www.affordableownership.org/docs/local-preference-fair-housing/

Slides from a Cornerstone Partnership webinar providing an overview of U.S. Fair Housing policy, example case studies, and strategies for developing local preference policy structures. The slides feature eight policy case studies from across the country, including the State of Massachusetts; New York, NY; Bloomington, IN; San Francisco, CA; and Long Beach, CA.

5.

RESALES

Excellent programs maintain affordability to the target market over time, resell affordable homes in an open, equitable, understandable manner, and clearly explain the resale process to buyers and sellers.

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It costs more to produce a new affordable unit than to preserve an existing one. Resale restrictions are the preeminent way programs keep homes affordable for future generations, but resales are tricky transactions. The resale formula put in place—regardless of the number of years ago—needs to produce an affordable price, and the sellers, as well as the buyers, need to clearly understand the process and costs involved. Furthermore, the condition of the home can be an issue if homes are not well-maintained over time. Care must be taken to prevent the loss of affordable homes from program portfolios.

Exclusions/Modifications: Resale standard 5.1, 5.2, and 5.3 only apply to programs selling homes with resale price restrictions. They do not apply to programs that use subsidy recapture (shared appreciation mortgages, silent seconds, or other repayable loan types) mechanisms to preserve affordability. In addition, programs that do not provide credits for capital improvements are exempt from Standard 5.5.

For co-op sponsors and stewards, Standard 5.4 should also be modified to require that provisions be in place for annual co-op maintenance and repair requirements, specifically for common spaces and systems (roof, boiler, hallways, etc.).

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Standard 5.1 Adopting a Resale Formula

Adopt a resale formula that preserves affordability under a wide range of economic conditions while also providing asset-building opportunities for homeowners.

Resale formulas can be confusing and difficult to calculate, and they may not always result in long-term affordability in changing market conditions. It is important for programs to select resale formulas that meet a variety of program goals, such as long-term affordability, wealth building, ease of administration, and funder priorities.

Required Practices

5.1.a. Use one or a combination of these resale formula models to suit your market conditions:

- **Area Median Income Index Formula**
- **Fixed-Index Formula**
- **Consumer Price Index Formula**
- **Housing Market Index Formula**
- **Appraisal-based Formula**

Effective resale formulas preserve affordability under a wide range of circumstances and offer asset-building opportunities to homeowners. These five resale formula models preserve affordability and build wealth in proven ways in some markets, but no formula is perfect. The formula chosen for the program should be based on current and projected market factors.

Tip: Programs that use HOME funding need to be aware of HUD requirements related to resale formulas. Participating Jurisdictions must establish written resale and/or recapture provisions and obtain approval by HUD prior to commitment of funds. Early discussions with the HOME Participating Jurisdictions will help programs understand the constraints of HOME resale requirements and help them to promote appropriate language in Consolidated and Annual Action Plans.

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Resale Formula Options:

http://www.affordableownership.org/docs/resale-formula-options/
A guide providing definitions, pros/cons, and examples of how to calculate key resale formulas used in resale restricted housing.

Resale Formula Comparison Tools:

http://www.affordableownership.org/docs/resale-formula-comparison-tool/
A set of interactive online tools enabling programs to compare the results of several of the most common affordable housing resale formulas. These tools compare the extent to which a formula preserves affordability for subsequent homebuyers, while simultaneously showing the extent of homeowner asset building and allowing for quick adjustments in assumptions about unknown variables, such as the rate of future home price appreciation, interest rates, etc.

Sample Resale Formulas: Sample language and calculations from programs that use the index-based, fixed rate, and appraisal-based formulas.

City of Boulder, CO:

http://affordableownership.org/docs/boulder-co-resale-formula/
An index-based formula used by the City of Boulder that allows the buyer to use the Area Median Income or Consumer Price Index.

Kulshan CLT, Bellingham, WA:

http://www.affordableownership.org/docs/bellingham-wa-kulshan-clt-resale-calculation/
A fixed rate formula used by Kulshan CLT that uses a rate of 1.5% per year to calculate resale price.

Champlain Housing Trust, Burlington, VT:

http://affordableownership.org/docs/bclt-resale-calculation-example/
An appraisal-based formula used by the Champlain Housing Trust.

CLT Manual "Resale Formula Design": [Chapter 12 p 242 – 266]

http://cltnetwork.org/wp-content/uploads/2014/01/MASTER-CLT-MANUAL.pdf#page=242
A chapter of the National CLT Network manual providing detailed descriptions of different methods for a determining resale price, and the advantages and disadvantages of these methods.

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Resale Formulas, Sales, and Resales of Resale-Restricted Homes – Decision Guide:

http://affordableownership.org/docs/resale-formula-and-sales-resales-decision-guide/
A decision guide providing programs with key questions and issues to consider when designing or overseeing the initial sales and resales of resale-restricted homes in an affordable homeownership program.

Resale Formula and Sales & Resales of Resale-Restricted Homes – Assessment:

http://affordableownership.org/docs/resale-formula-and-sales-resales-assessment/
A tool designed for consultants to assess the extent to which a program applies high-impact practices in designing or overseeing the initial sales and resales of resale-restricted homes. Practitioners may also use this tool for program self-assessment.

Standard 5.2 Resale Formula Effectiveness
Evaluate the effectiveness of a program's resale formula in preserving affordability over time.

Different resale formulas work better in different types of markets. Programs must evaluate and, if necessary, adjust their resale formulas over time in order to maintain affordability and preserve units in the program portfolio.

Required Practices
5.2.a. Track and evaluate affordability of resales every three years and modify the formula if necessary.

Tracking resale affordability makes it possible for programs to evaluate whether affordability is being preserved. Programs should adopt written procedures that describe how frequently they evaluate the effectiveness of their resale formulas and what steps they will take to modify the formula if necessary.

> We've gone through the process of making changes along the way when things weren't working, so I think it's an ongoing evaluation process to ensure that the next resale goes more smoothly.

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A tool designed for consultants to assess the extent to which a program applies high-impact practices in designing or overseeing the initial sales and resales of resale-restricted homes. Practitioners may also use this tool for program self-assessment.

Standard 5.3 Unit Retention

Strive to retain affordable units in the program portfolio and have provisions in place to recapture the community investment if a unit is sold out of the program.

When homeowners are unable to sell their homes, they can be stuck with unsustainable holding costs. Some programs allow homes to sell out of the program if a buyer cannot be found within a reasonable timeframe, but a lost affordable unit can be hard to replace. In cases where homes are allowed to sell out of the program, the initial subsidy should not be lost in favor of an unreasonable gain to the seller. Recapturing initial subsidies when homes are sold out of the program allows the program to reinvest the subsidy in additional affordable housing opportunities.

Required Practices

5.3.a. Include provisions in recorded legal documents (e.g. ground lease, deed of trust, land title, promissory note, regulatory agreement) to prevent loss of affordable units.

Provisions should ensure that resale restrictions are only removed in foreclosure and provide the program with a first purchase option to preserve homes in the program portfolio and protect the public investment.

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5.3.b. Include provisions in recorded legal documents for public equity recapture if unit is sold out of the program.

Provisions that ensure public equity is recaptured reduce the likelihood of unreasonable gain to the seller and allow the program to reinvest the subsidy in additional affordable housing opportunities. Some programs also capture a share the home's appreciation when that home is sold out of the program.

Tip: Some programs have resale restrictions that survive foreclosure and have successfully gone to court to keep these provisions in place.

Tip: Programs that receive HOME funding will be required to repay the subsidy to the Participating Jurisdiction if the unit is sold out of the program before the expiration of the affordability period. It's particularly important for programs to consider maintaining a reserve account to prepare for this risk. Programs are exempt from this requirement if they operate in a declining housing market where a unit's value has depreciated to the point that there is insufficient equity to repay the public subsidy.

Resources

Chicago Community Land Trust Option to Purchase if Default (Chicago, IL):

http://affordableownership.org/docs/chicago-il-option-to-purchase-if-default/
Chicago Community Land Trust's covenant describing the program's option to purchase in the event of a homeowner default.

City of Boston, MA and Boston Redevelopment Authority Option to Purchase if Default:

http://affordableownership.org/docs/boston-ma-option-to-purchase-in-default/
An excerpt from a Boston, MA deed rider detailing the Redevelopment Authority's option to purchase when the homebuyer defaults.

Monterey County, CA Option to Purchase:

http://affordableownership.org/docs/monterey-county-ca-buyers-occupancy-and-resale-restriction-agreement/
A buyer occupancy and resale restriction agreement that includes an option-to-purchase clause from Monterey County, CA.

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Standard 5.4 Home Maintenance and Repair

Have provisions in place for home maintenance and repair requirements upon resale.

Owners of resale-restricted units may feel they have no incentive to maintain or repair their units if the selling price is based solely on a resale formula that does not take into consideration the condition of the home. Degradation of the affordable housing stock can negatively impact the neighborhood, as well as the political viability of the program, and make resales more difficult and time consuming. It is in the program's interest to ensure that homes are in good condition when they transfer to new owners.

Required Practices

5.4.a. Maintain written criteria, including all of the following components:

- **Acceptable condition of home upon resale**
- **Responsibility for making required repairs prior to resale**
- **Process for inspecting homes prior to transfer to ensure required repairs are made**

When acceptable home-condition criteria are established in writing and the program states the resale inspection process and responsibility for repairs, both the affordable housing stock and the integrity of the program are preserved. Not all programs require that homes meet certain criteria upon resale; however, clarifying in writing who is responsible for the condition of the home upon resale can protect the program from unrealistic expectations on the part of the seller.

5.4.b. Include deductions for damages or needed repairs in the resale formula, if applicable.

When homeowners are responsible for home condition, including deductions for damages or needed repairs, the resale formula can ensure that homes are in acceptable condition upon resale.

Tip: Some programs provide a maintenance schedule as part of their post-purchase stewardship. This can help keep the homeowner informed of what needs to be maintained over the years and a clear guide on how to do so.

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Tip (Warning): Several programs receiving HOME subsidies have found that their damage deduction policies conflict with federal interpretations of a fair return on investment. Programs should work closely with the Participating Jurisdiction to ensure that their policies do not conflict with federal guidelines.

Resources

SAMPLE – Maintenance Policy:

http://affordableownership.org/docs/sample-maintenance-policy/
A sample maintenance policy describing minimum housing conditions, maintenance cost responsibilities, and provisions for inspections and excessive damages.

Standard 5.5 Capital Improvement Credits
Capital improvement credits, if any, are clearly explained and defined and include measures to mitigate impacts on long-term affordability.

Programs may credit sellers for capital improvements upon resale as an incentive for homeowners to maintain and improve their units. Credits for capital improvements also allow homeowners to recoup some of the money they have invested in their homes. When providing credits for capital improvements, programs must balance credits with preserving long-term affordability. To ensure this balance, the program should carefully consider and define which types of improvements will be credited.

Required Practices
5.5.a. Maintain a written policy regarding capital improvements, including all of the following components:

- **Types of improvements eligible for credit**
- **Approval requirements**
- **Documentation requirements**
- **Procedure for claiming credit**

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- **Formula for calculating value of improvement (appraised value, cost depreciated, etc.)**
- **Limit or ceiling on credits**

When programs provide credits for capital improvements, a written policy that clearly describes the types of credits and the process for documenting and approving credits ensures that only those improvements intended for credit are credited. Written policies also guide owners in prioritizing improvements and maintaining documentation.

5.5.b. Maintain a written policy to ensure that the resale price, including credits for capital improvements, remains affordable to the target market.

Credits for capital improvements should be tracked in the program's information management system. Information on capital improvements credits should be incorporated into the resale formula evaluation process to help preserve affordability of program homes.

Tip: HOME regulations require that HOME-assisted homebuyers receive a "fair return on investment," which must factor in capital improvements. Programs using HOME funding will need to align the program's capital improvement policy with the Participating Jurisdiction's description of what will constitute a capital improvement for purposes of determining fair return on investment.

Resources

SAMPLE – Improvements Policy:

http://affordableownership.org/docs/sample-improvements-policy/
A sample improvements policy defining capital improvements and discussing provisions for post-purchase construction and alteration, as well as how to calculate credits for those improvements.

Capital Improvement Options for Indexed Resale Formulas:

http://affordableownership.org/docs/capital-improvement-options-memo/
A memo outlining various options for offering capital improvements credits in shared equity programs with index-based resale formulas.

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Champlain Housing Trust Capital Improvements Flier (Burlington, VT):

http://www.affordableownership.org/docs/capital-improvements-flier/
A plain-language flyer developed by the Champlain Housing Trust explaining its capital improvement credits policy to homeowners.

Homestead Community Land Trust Capital Improvements Policy (Seattle, WA):

http://www.affordableownership.org/docs/capital-improvements-policy/
A sample capital improvements policy from Homestead Community Land Trust, including a listing of eligible systems allowable for replacement/upgrade and an improvement/upgrade schedule.

OPTIMAL STANDARDS FOR HIGH PERFORMING PROGRAMS

⭐ Standard 5.6 Tracking Equity

Track and communicate to homeowners the difference between purchase price and resale price.

High performing programs meet the dual goals of community benefit (creating long-term affordable units) and wealth building for homebuyer families. When programs measure and track how much equity homeowners accumulate, they can evaluate their success at wealth building, promote program success, and adjust for shortfalls if necessary. High performing programs with indexed resale formulas are able to communicate the difference between purchase price and resale price at any time. Some programs have resale price calculators on their websites.

6.

SUPPORT, MONITORING, & ENFORCEMENT

Excellent programs keep in touch with their buyers for as long as they own their homes to promote homeowners' success, ensure program requirements are met, and react to program violations in a timely manner.

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6. SUPPORT, MONITORING, & ENFORCEMENT

Many programs are so focused on putting buyers into homes that they never reconnect with these homeowners to check on how they're doing. Yet post-purchase support can make all the difference between success and failure for the homeowner, and between preservation and loss of affordable units for the program. By keeping in touch, programs can give homeowners the ongoing tools to succeed, help new homeowners avoid common pitfalls, and identify problems early while they are still fixable. With guidelines to monitor and enforce program violations consistently and equitably, programs are able to ensure program requirements are remembered and met over time, and maintain the condition of the housing stock for future generations of buyers.

Exclusions/Modifications: For co-op sponsors and stewards, Standard 6.3 should be modified so that co-op sponsors and stewards regularly communicate requirements and restrictions to co-op leaders, who in-turn should be encouraged to deliver this information to shareholders. Also, while the standard remains the same, the practices in Standard 6.4 should be modified so that the monitoring and enforcement plan components include a statement of cooperative compliance documentation and identification of potential program violations such as lack of annual elections or adopted budget, nonpayment of mortgage or taxes, and unauthorized sales.

Standard 6.1 Primary Steward
Clearly identify the agency that will serve as the primary point of contact for homeowners over the long term and will coordinate ongoing monitoring, support, and enforcement.

There are often multiple public and private agencies involved in the development and sale of affordable units, and it is not always clear which one is responsible for post-purchase support and monitoring. With a designated primary point of contact, homeowners know whom to call when they have questions.

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Required Practices

6.1.a. Identify and communicate to homeowners the single public or nonprofit agency to serve as the "primary steward" of the public investment over the long term.

New homebuyers should be told whom to contact when they have questions or wish to sell their home, and who will be contacting them to monitor program requirements. Ideally, this information would be given more than once and in a way that is easy for the homeowner to find.

Tip: Include this information in all correspondence with the homeowner.

Standard 6.2 Post-purchase Policy and Requirements

Provide buyers with clear, detailed information on post-purchase policies and requirements.

Owners are expected to comply with a number of post-purchase requirements, some of which may be in recorded documents and others in agreements between the program and homebuyers. Often buyers are unaware of or forget some of these requirements. Having them clearly spelled out in one place makes it easier for buyers to know and understand the requirements, and easier for programs to defend themselves against claims that buyers were not adequately informed.

Required Practices

6.2.a. Provide a homebuyer program manual, in accord with all legal agreements between the homeowner and program, detailing program policies or requirements. Manual should cover all the following topics:

- **Occupancy and occupancy changes**
- **Subletting**
- **Required intervention for homeowners delinquent on mortgage (e.g. enter financial counseling, required meeting)**
- **Home equity lines of credit or refinancing**
- **Maintenance and capital improvements**
- **Accessing and using repair funds (if any)**

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- **Temporary decrease, waiver, or suspension of ground lease fees/program fees (if any)**
- **Fees associated with delinquent or partial payments of ground lease fees/ program fees (if any)**

In the excitement of purchasing a home, buyers might overlook program restrictions and requirements. A homebuyer manual helps homeowners understand program requirements.

Tip: In addition to pre-purchase classes and one-on-one meetings, some programs require that prospective homeowners complete an open-book test based on the manual to promote homeowner under-standing and familiarize them with the manual.

You get a car and a manual comes with it. It tells you all the things you need to do and how often to maintain the car. The same thing can be developed for a home. ❞

Resources

City of Boulder, CO Homeowner Resources:

https://bouldercolorado.gov/homeownership/are-you-an-affordable-homeowner
Boulder's website, targeted at homeowners, providing a number of homeowner resources, including an online homeowner's manual and procedures for marketing and selling the home.

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Standard 6.3 Homeowner Communications

Regularly communicate program restrictions and requirements for maintaining compliance to homeowners.

Programs must navigate and balance their role in ensuring program requirements are met, protecting donors' and public investment, keeping homes affordable and empowering homeowners. In the long term, allocating resources to existing owners is just as important as bringing new buyers into the program. Regular communication to homeowners reinforces pre-purchase education, reminds homeowners of their responsibilities, and ensures the program is taking steps to promote compliance.

Required Practices

6.3.a. Send annual letter, newsletter, or e-blast to homeowners explaining their responsibilities related to program restrictions and requirements (e.g. occupancy, insurance, capital improvements, repairs, and maintenance).

Owners of resale-restricted homes are usually first-time homebuyers and might lack the knowledge and experience to succeed. Annual communication reminds homeowners of their responsibilities, and letters can also serve as a way for programs to elicit changes of address and returned letters for selective follow up.

6.3.b. Verify evidence of owner occupancy annually.

In high-cost markets, owners of affordable ownership units sometimes relocate and convert their homes into income-generating rentals. By requiring evidence of owner occupancy annually, program staff can make sure the community investment in the homes is serving its intent.

Tip: In addition to evidence of owner occupancy, many programs require proof of insurance annually. Programs communicate with homeowners through a variety of channels, from formal correspondence to newsletters or e-blasts. Some programs visit with homeowners, periodically drive by properties, or review public records to verify continued ownership.

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Kushlan CLT Annual Homeowner Letter:

http://affordableownership.org/docs/kulshan-community-land-trust-annual-homeowner-letter/
A sample annual letter that Kushan Community Land Trust sends to stay connected to homeowners, inform them about the equity they've accrued, and remind them about conducing maintenance and repairs.

Sample Owner Occupancy Certification Form:

http://affordableownership.org/docs/sample-owner-occupancy-certification-form/
A sample owner occupancy certification form that programs can customize and mail annually to homeowners.

Proud Ground – Annual Owner Survey (Portland, OR):

http://www.affordableownership.org/docs/annual-owner-survey/
Proud Ground's homeowner survey form that includes questions on homeowner satisfaction, civic engagement, and post-purchase support.

Standard 6.4 Compliance Monitoring
Monitor compliance and respond to potential violations.

Consistent monitoring and enforcement of program requirements helps preserve affordable homes as long-term assets for future generations of homeowners. A monitoring and enforcement plan maintains institutional knowledge of the program, promotes consistent monitoring and uniform treatment of violations, and protects the program's assets and interests.

Required Practices

6.4.a. Maintain written monitoring and enforcement plan that includes all of the following components:

- **Identification of method and frequency of monitoring**
- **Statement of required homeowner compliance documentation**
- **Procedure for following up to those who don't respond initially**

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- **Identification of potential program violations (non-owner occupancy, unauthorized renting, unauthorized liens, over-encumbrance, unauthorized title transfer, etc.)**
- **Identification of conditions that would trigger a site visit**
- **Process for responding to violations**
- **Statement of possible repercussions for violations**
- **Procedures for following up to violations**

The monitoring and enforcement plan lays out the steps that the program will take to ensure homeowners are in compliance with all program requirements. Monitoring and enforcement procedures should be shared with homeowners so they are clear about how the program will enforce requirements and handle violations.

> The point is maintaining integrity and not having units sold to ineligible people because you're not paying attention.

Resources

Monitoring, Support, & Enforcement – Decision Guide:

http://affordableownership.org/docs/monitoring-support-enforcement-decision-guide/
A guide which highlights issues for a program to consider when designing and implementing an ongoing monitoring, support, and enforcement program.

Monitoring, Support & Enforcement – Tool Pack:

http://affordableownership.org/docs/monitoring-support-enforcement-tool-pack/
A comprehensive tool kit, including sample monitoring procedures, a sample enforcement plan, and an owner occupancy certification form.

New Jersey Enforcement Plan:

http://www.affordableownership.org/docs/new-jersey-model-enforcement-plan/
An enforcement plan from the New Jersey Council of Affordable Housing that details procedures for a municipality to take in the event of violations of resale or occupancy restrictions.

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Community Development Corporation of Utah Enforcement Plan:

http://www.affordableownership.org/docs/enforcement-plan/

An enforcement plan from the CDC of Utah that details enforcement procedures for violations, including unauthorized renting, unauthorized refinancing, failure to maintain the home, unpaid taxes and insurance, and illegal activity.

OPTIMAL STANDARDS FOR HIGH PERFORMING PROGRAMS

⭐ Standard 6.5 Post-purchase Support
Offer post-purchase support to homeowners.

Owners of resale-restricted homes are usually first-time homebuyers and might lack the knowledge and experience to succeed. Post-purchase support gives owners a place to go when they have problems or need information. Some programs have found that offering ongoing education about home maintenance and financing/refinancing seems to help avoid problems with poor maintenance and predatory lending. Ideally, programs will reach out to homeowners with information about the array of post-purchase supports, including:

- Homeowner education
- Financial counseling
- Home maintenance and repair workshops
- Loss mitigation
- Home repair loans, grants, or savings programs

Some programs also provide a maintenance reserve fund. Those that do should provide policies and procedures for lending or granting funds to homeowners, including eligible repairs or improvements, application requirements, and repayment requirements.

> If we allow affordable housing to be in a state of disrepair it brings down values…and gives a bad name to affordable housing.

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Sample Post Purchase Support Activities:

http://www.affordableownership.org/docs/sample-post-purchase-support-activites/
A list of possible kinds of post-purchase support that a program could offer to homeowners.

National CLT Manual "Support for Homeowners": [Chapter 23 pp 424-428]

http://cltnetwork.org/wp-content/uploads/2014/01/MASTER-CLT-MANUAL.pdf#page=424
An excerpt from the National CLT Network Manual explaining ways to support homeowners
with financial issues and with home maintenance, repairs, and improvement.

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#	TITLE	STANDARD
1. PROGRAM & BUSINESS PLANNING		
1.1	**Goals and Objectives**	**Clearly articulate program's goals and objectives.**
1.1.a	For each program, maintain a written statement of program goals and objectives, community served, and geographic area covered.	
1.2	**Program Design Review**	**Periodically review and update program design.**
1.2.a	At least every three years, evaluate your program's effectiveness at meeting community need and review your program design (e.g. program rules, policies, and procedures) to make sure it is current and reflects best practices.	
1.3	**Policies and Procedures**	**Adopt detailed policies and procedures to direct program operations.**
1.3.a	Maintain a written program administrative manual with a detailed description of all program components. Program manual should cover all of the following elements: • Funding Sources • Pricing • Marketing and outreach • Application • Homebuyer selection • Allowable loan types • Refinance provisions • Monitoring and enforcement • Resales • Records maintenance • Conflict of Interest policy	

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#	TITLE	STANDARD
1.4	**Legal Counsel**	**Coordinate support from knowledge-able legal counsel.**
1.4.a.	Identify legal counsel that is knowledgeable about affordable homeownership programs.	
1.5	**Conflict of Interest**	**Manage real and perceived conflicts of interest.**
1.5.a	Adopt and follow a written conflict of interest policy.	
1.6	**Information Tracking**	**Systematically track information on transactions, owners, borrowers, and homes.**
1.6.a	Maintain an electronic information management system under which program data is complete, secure, and easily accessible.	
1.6.b	Collect and file sales and loan closing documents, using a checklist to make sure files are complete.	
1.7	**Operating Budgets**	**Determine revenue needs and identify sources to meet those needs.**
1.7.a	Develop a multi-year (at least two years) operating budget.	
1.8	**Financial Systems**	**Systematically track revenues and expenditures, segregate restricted funds, and conduct periodic audits.**
1.8.a	Maintain a financial management system to track revenues and expenditures.	
1.8.b	Demonstrate fund segregation in financial statements.	

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#	TITLE	STANDARD
1.8 c	Conduct audits as required by funding sources, or at least every two years.	

OPTIMAL STANDARDS

#	TITLE	STANDARD
1.9	Market Research	Document or reference market conditions that support the need for services.
1.10	Client Feedback	Establish mechanism to solicit client feedback and incorporate feedback into program design.
1.11	Community Awareness	Build community awareness and support by actively communicating goals and how services promote goals.
1.12	Outcomes Measurement	Measure homebuyer activity and program impact.

2. AFFORDABLE PRICING

#	TITLE	STANDARD
2.1	**Pricing Strategy Design**	**Identify program parameters and cost assumptions when designing an affordable pricing strategy.**
2.1.a	Maintain a written statement of income and affordability restrictions imposed by funding sources.	
2.1.b	Maintain a written statement of program target market, which may be lower than that imposed by funding sources.	
2.1.c	Clearly state assumptions.	

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#	TITLE	STANDARD
2.2	**Avoid Non-permanent Subsidies**	**Make home sales prices affordable to the target market without additional (non-permanent) outside subsidy.**
2.2.a	Design a pricing formula that maintains affordability without the program needing to provide subsidy to future homebuyers.	
2.3	**Market Comparison**	**Set home sales prices below comparable market rate homes.**
2.3.a	Compare the affordable base price to the price of comparable homes.	

OPTIMAL STANDARDS

2.4	Review and Update Pricing Formula	Periodically review and update pricing formula.
2.5	Back-up Strategy	Establish a strategy to address homes that do not sell within a reasonable timeframe.

3. MORTGAGE FINANCING

3.1	**Review First Mortgage Loans**	**Review and approve first mortgage loans in a timely and consistent manner.**
3.1.a	Establish criteria for acceptable first mortgage loan products, including all of the following components: • Loan types allowed and expressly NOT allowed • Interest rate, expressed as a percentage or tied to an index • Term • Discount and origination points • Loan to value ratio • Front and back end ratio • Credit requirements	

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3.1.b	Maintain written procedures for first mortgage loan review and approval, addressing all of the following components: • Required documents from homeowner and lender • Authorization for program and lender to share information • Response times for applicants to provide required documentation • Timeframe for program review • Review and approval fees (if any) • When exceptions (if any) to program policies will be considered	
3.2	**Review Subordinate Loans and Refinances**	**Review and approve subordinate mortgages, refinance loans, and home equity loans in a timely and consistent manner.**
3.2.a	Establish criteria for acceptable subordinate loans, refinance loans, and home equity loans (if applicable), including all of the following components: • Acceptable reasons for loan request • Maximum cash out (if any) • Loan types allowed and expressly NOT allowed • Interest rate, expressed as a percentage or tied to an index • Term • Discount and origination points • Loan to value ratio • Front and back end ratio • Credit requirements	
3.2.b	Maintain written procedures for the review and approval of subordinate mortgages, refinance loans, and home equity loans, addressing all of the following components: • Required documents from homeowner and lender • Authorization for program and lender to share information • Response times for applicants to provide required documentation • Timeframe for program review • Review and approval fees (if any) • When exceptions (if any) to program policies will be considered	

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3.3	**Choice in Lending Products and Institutions**	**Ensure adequate choice of mortgage lending products and approved mortgage lending institutions.**
3.3.a	Identify at least two lenders that have mortgage loan products that meet program requirements. In markets where lenders are unwilling to make loans to homes within the program, document good faith efforts to identify and secure participating lenders (e.g. conversations, meetings).	
3.4	**Legal Safeguards**	**Use legal safeguards to prevent unauthorized refinancing or over-encumbering property beyond affordable monthly payments and affordable resale price.**
3.4.a	Include provisions in recorded legal documents (e.g. ground lease, deed of trust, land title, promissory note, regulatory and monitoring agreements, proprietary lease) that require program approval of refinancing or other encumbrances.	
3.5	**Notice of Nonpayment and Default**	**Create mechanisms to receive and respond to notification of nonpayment and default.**
3.5.a	In states that allow for recorded requests for copies of notices of default, programs should record a Request for Notice for each unit in the program portfolio. In states that do not allow for recorded Requests for Notice, programs should document procedures for periodically checking with owners, lenders, and HOAs.	
3.5.b	Document procedures for responding to notices of default.	
3.6	**Safeguard Investment**	**Establish rights to safeguard program's investment in the event of default or foreclosure.**
3.6.a	Include provision in recorded legal documents that the program has the right to cure default on the owner's behalf.	
3.6.b	Include program first right of refusal or first right to purchase in recorded legal documents.	

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OPTIMAL STANDARD		
3.7	Lender Cultivation and Approval	Cultivate and approve partner lending institutions/loan officers.

4. FAIR HOUSING & BUYER SELECTION

#	TITLE	STANDARD
4.1	**Target Marketing**	**Take steps to reach program's target market and to affirmatively further Fair Housing policies.**
4.1.a	Maintain a written marketing plan that includes all of the following components: • Target market (income level, geographic region) and efforts to reach target market • Groups least likely to apply and efforts to reach groups least likely to apply • List of commercial media and advertising • List of community contacts • Description of staff training • Description of how marketing performance is evaluated.	
4.1.b.	Include Fair Housing language and the Fair Housing logo on marketing collateral.	
4.2	**Limited English Proficiency**	**Don't limit program to English speakers.**
4.2.a	Conduct an analysis of language needs in the community at least every three years.	
4.2.b	Maintain a plan for marketing to and working with limited-English speakers.	
4.3	**Homebuyer Education**	**Require buyers to complete general homebuyer education prior to purchasing a home.**

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#	TITLE	STANDARD
4.3.a	Require and verify in writing that all buyers complete a general homebuyer education course prior to purchase.	
4.4	**Plain Language Documentation**	**Explain eligibility criteria, selection process, and program restrictions clearly and in plain language.**
4.4.a	In addition to a general homebuyer education course, require and verify in writing that all purchasers complete counseling and/or education specific to the particular program as part of the application process.	
4.4.b	Provide written information to initial and subsequent buyers regarding program restrictions, including all of the following components: • Plain language disclosure statement, reviewed with buyers in advance of closing • Calculated example of price restrictions or recapture provision • Post-closing requirements (e.g. periodic certification, documentation that will be required, and maintenance expectations)	
4.4.c	Provide written eligibility criteria to initial and subsequent buyers covering all of the following components: • Income calculation • Treatment of assets • Determination of household size • Down payment requirements • Credit score requirements • Loan qualification requirements • Allowable loan types • First-time homebuyer requirements	

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4.4.d	Provide written information about the buyer selection process to initial purchasers covering all of the following components: • Selection preferences, if any • Methods by which applications will be ranked, processed, and approved • Lottery procedures (if any) • How program determines which home the applicant will purchase	
4.4.e	Provide sellers with written procedures on listing their home and identifying eligible buyers, including a description of anticipated costs.	
4.5	**Application Review Process**	**Implement a review process so that applicants who were not approved or are deemed ineligible by the program may request a second review of the circumstances under which their application was denied.**
4.5.a	Maintain a written review process including all of the following components: • Who will make final decision (e.g. hearing officer, ED, board, city council) • How to initiate a review request (e.g. upon written request) • Timeframe for filing and consideration (e.g. within how many days) • Whether applicant will have opportunity to meet with organization or present additional information • Whether subsequent reviews are possible	
4.5.b	Notify ineligible applicants in writing and provide a copy of the process for requesting a review.	
4.6	**Selection Preferences**	**Consult with legal counsel or Fair Housing agency to ensure eligibility criteria and selection preferences (if any) comply with Fair Housing laws.**
4.6.a	If programs have selection preferences of any kind or eligibility requirements based on residency, consult with an attorney or fair housing agency to understand whether these requirements or preferences might conflict with Fair Housing laws.	

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5. RESALES		
5.1	**Adopting a Resale Formula**	**Adopt a resale formula that preserves affordability under a wide range of economic conditions while also providing asset-building opportunities for homeowners.**
5.1.a	Use one or a combination of these resale formula models to suit your market conditions: • Area Median Income Index Formula • Fixed-Index Formula • Consumer Price Index Formula • Housing Market Index Formula • Appraisal-based Formula	
5.2	**Resale Formula Effectiveness**	**Evaluate the effectiveness of a program's resale formula in preserving affordability over time.**
5.2.a	Track and evaluate affordability of resales every three years and modify the formula if necessary.	
5.3	**Unit Retention**	**Strive to retain affordable units in the program portfolio and have provisions in place to recapture the community investment if a unit is sold out of the program.**
5.3.a	Include provisions in recorded legal documents (e.g. ground lease, deed of trust, land title, promissory note, regulatory agreement) to prevent loss of affordable units.	
5.3.b	Include provisions in recorded legal documents for public equity recapture if unit is sold out of the program.	

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5.4	**Home Maintenance and Repair**	**Have provisions in place for home maintenance and repair requirements upon resale.**
5.4.a	Maintain written criteria, including all of the following components: • Acceptable condition of home upon resale • Responsibility for making required repairs prior to resale • Process for inspecting homes prior to transfer to ensure required repairs are made	
5.4.b	Include deductions for damages or needed repairs in the resale formula, if applicable.	
5.5	**Capital Improvement Credits**	**Credits improvement credits, if any, are clearly explained and defined and include measures to mitigate impacts on long-term affordability.**
5.5.a	Maintain a written policy regarding capital improvements, including all of the following components: • Types of improvements eligible for credit • Approval requirements • Documentation requirements • Procedure for claiming credit • Formula for calculating value of improvement (appraised value, cost depreciated, etc.) • Limit or ceiling on credits	
5.5.b	Maintain a written policy to ensure that the resale price, including credits for capital improvements, remains affordable to the target market.	

OPTIMAL STANDARD

#	TITLE	STANDARD
5.6	Tracking Equity	Track and communicate to homeowners the difference between purchase price and resale price.

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6. SUPPORT, MONITORING, & ENFORCEMENT		
6.1	**Primary Steward**	**Clearly identify the agency that will serve as the primary point of contact for homeowners over the long term and will coordinate ongoing monitoring, support, and enforcement.**
6.1.a	Identify and communicate to homeowners the single public or nonprofit agency to serve as the "primary steward" of the public investment over the long term.	
6.2	**Post-purchase Policy and Requirements**	**Provide buyers with clear, detailed information on post-purchase policies and requirements.**
6.2.a	Provide a homebuyer program manual, in accord with all legal agreements between the homeowner and program, detailing program policies or requirements. Manual should cover the following topics: • Occupancy and occupancy changes • Subletting • Required intervention for homeowners delinquent on mortgage (e.g. enter financial counseling, required meeting) • Home equity lines of credit or refinancing • Maintenance and capital improvements • Accessing and using repair funds (if any) • Temporary decrease, waiver, or suspension of ground lease fees/program fees (if any) • Fees associated with delinquent or partial payments of ground lease fees/program fees (if any)	
6.3	**Homeowner Communications**	**Regularly communicate program restrictions and requirements for maintaining compliance to homeowners.**
6.3.a	Send annual letter, newsletter, or e-blast to homeowners explaining their responsibilities related to program restrictions and requirements (e.g. occupancy, insurance, capital improvements, repairs, and maintenance).	

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6.3.b	Verify evidence of owner occupancy annually.	
6.4	**Compliance Monitoring**	**Monitor compliance and respond to potential violations.**
6.4.a	Maintain written monitoring and enforcement plan that includes all of the following components: • Identification of method and frequency of monitoring • Statement of required homeowner compliance documentation • Procedure for following up to those who don't respond initially • Identification of potential program violations (non-owner occupancy, unauthorized renting, unauthorized liens, over-encumbrance, unauthorized title transfer, etc.) • Identification of conditions that would trigger a site visit • Process for responding to violations • Statement of possible repercussions for violations • Procedures for following up to violations	

OPTIMAL STANDARD

#	TITLE	STANDARD
6.5	Post-purchase Support	Offer post-purchase support to homeowners.

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LICENSING INFORMATION

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