

**HHOC Housing and Land Trust (HHLT)
Sales Packet**

The following information is provided for prospective buyers and their real estate agents to understand the purpose of this program and the special requirements for buyers of our homes.

Program Purpose:

HHOC Housing and Land Trust is a nonprofit organization that was created with the purpose of preserving the inventory of affordable homes. We believe that since the resources required to create an affordable unit is significant, preservation of existing inventory in addition to creating new units is a good use of funds designated for affordable housing.

How we are preserving affordable homes:

HHLT will be acquiring homes that are under the resale or buy-back restriction period with a government agency. The buy-back restriction refers to the requirement of a homeowner to allow the government agency associated with the affordable unit they purchased to have the first option to buy-back or repurchase the unit. The price the government agency will purchase the unit during this time is not based on the market value of the home; it is based on a calculated formula that will allow resale to another income-qualified buyer to purchase the home at an affordable price.

HHLT may also acquire homes listed on the open market and subsidize the resale cost to create an affordable unit.

We will keep the homes affordable over time through a deed restriction or buy-back restriction. HHLT will have the first option to repurchase the home at a calculated price (versus market price - details on this calculation is addressed in the deed restriction document). Should HHLT waive its option to repurchase the unit, a calculated subsidy and shared appreciation amount will be due to HHLT and the owner can sell the unit on the open market.

When HHLT resells the unit, it is our intention to sell at a below market rate with the deed restriction noted above to keep the home at an affordable price for the usable life of the home.

General Eligibility Requirements:

1. Applicants must be a first-time homebuyer defined as an individual who has not owned a majority interest in real property improved for residential use for at least three (3) years prior to the closing date of the proposed purchase from the HHLT.
2. Applicants must be at least 18 years old and a citizen of the U.S. or a permanent resident alien living in the State of Hawaii with a bona fide intent to reside in the unit purchased.
3. Units will be offered for sale to eligible purchasers with a household income up to one hundred twenty percent (120%) of the median household income based on the U.S. Department of Housing and Urban Development standards adjusted for family size for the City and County of Honolulu.

- a. The household income includes income of all members that will live in the home who are 18+ years of age regardless of whether they will be borrowers for the home financing. A notarized statement regarding the household members in the home will be required.
4. Applicants must abide by the buy-back restrictions noted in Exhibit A – also explained below.
 5. Renting, selling, leasing, or changing title to a home purchased from HHLT is prohibited. If your circumstances require you to take one of these types of actions, you must notify HHLT in writing of those circumstances. You must also provide the opportunity for the HHLT the option to purchase your unit as provided in the deed restriction exhibit.
 - a. HHLT has the right to enforce your promise to reside in your home. The buy-back restriction does not have an expiration date.
 6. Applicants must have the ability to finance the purchase with their own resources, including cash requirements and qualifying for the mortgage loan.
 7. You may have a family member to be a co-mortgagor, but that person’s interest in the home must be no more than one percent (1%) and the co-mortgageor must certify that s/he will not reside in the home. This person’s income will not be included in the Annual Gross Household Income calculation.
 8. Applicant’s Annual Gross Household Income must not exceed the maximum median household income based on family size listed below. Household income includes everyone who will live in the home who is 18+ years of age regardless of whether they will be a borrower for the home financing.
 - a. The most recent federal tax returns will be the primary basis for income verification. 3 years of tax returns will be collected.
 - b. HHLT may consider pay stubs or statements (i.e. Social Security, pension) in lieu or in addition to tax returns for this purpose.

	1-PERSON	2-PERSON	3-PERSON	4-PERSON	5-PERSON
Maximum income per family size based on 120% AMI*	\$101,280	\$115,680	\$130,200	\$144,600	\$156,240

*AMI = Area Median Income established by the US Department of Housing and Urban Development (HUD).

9. Applicants are advised that HHLT may verify occupancy and the number of household members. False statements regarding eligibility to purchase an HHLT home is grounds for the buy-back restriction being enforced. Not responding to an occupancy verification request will be considered as submission of a false statement and is also grounds for the buy-back restriction being enforced.

10. Completion of homebuyer education and an individual session with a homeownership counselor or coach from Hawaii HomeOwnership Center is required. The homebuyer education completion certificate and form certifying the homeownership counseling content must be provided.
 - i. Counseling content during the individual counseling session will include a review of the deed restriction document including the buy-back restriction, resale price calculation, and shared appreciation.
11. Buyer Selection Process: The home will be listed on the Multiple Listing Service (MLS) and the HHLT will accept offers for the property. Note: The commission for real estate agents representing buyers of our property is fixed at \$2,500 versus the customary percentage of the sales price to ensure we can offer our home at a below-market price.
12. HHLT will request that buyers of our homes allow HHLT to publicize their purchase of the home.



EXHIBIT A - DEED RESTRICTIONS ADDENDUM TO PURCHASE CONTRACT

Buyer's purchase of the Property is subject to the following restrictions ("Deed Restrictions"), which shall be incorporated in the deed by which Seller will convey the Property to Buyer and shall run with the Property, bind the Buyer and its successors and assigns, and benefit the Seller and its successors and assigns. As used herein, the term "Grantee" refers to the Buyer and the term "Grantor" refers to the Seller.

1. **Use.** (a) Grantee shall occupy the Property as Grantee's primary residence ("reside on the Property"), except in hardship circumstances where Grantee has notified Grantor of Grantee's inability to reside on the Property arises out of an unforeseeable job or military transfer, serious illness, or other hardship as approved by Grantor on a case-by-case basis.

(a) From time to time Grantor may ask Grantee to verify that Grantee resides on the Property ("Grantor's Request for Verification").

(b) If Grantee does not reside on the Property or fails to respond to Grantor's Request for Verification within sixty (60) days after the Request is made, then Grantor may presumptively assume that Grantee does not reside on the Property and the provisions of Section 4 will apply.

2. **Transfer.** (a) Grantee shall not sell, offer to sell, dispose of, transfer, further mortgage, or encumber (each being referred to as a "Transfer") the Property or any interest therein without first notifying Grantor and Grantor providing written consent to any document effectuating a Transfer, provided that Grantee's notice and Grantor's consent shall not be required for a transfer by devise, descent, or by operation of law upon the death of a joint tenant.

(a) If Grantor does not consent to a Transfer or becomes aware of a Transfer by Grantee that Grantor did not consent to, then the provisions of Section 4 will apply.

3. **Default on Mortgage.** If the Property is subject to a mortgage and (a) Grantee is in default under such mortgage for thirty (30) days or more, or (b) an action to foreclose such mortgage has been commenced, then the provisions of Section 4 will apply.

4. **Grantor's Purchase Option.** (a) Grantor shall have an option to purchase the Property from Grantee ("Grantor's Purchase Option") upon occurrence of any of the events described in Sections 1, 2 and 3 above (each being referred to as a "Grantee Default").

(a) Grantor's Purchase Option will arise upon Grantor's discovery that a Grantee Default has occurred and shall continue for ninety (90) days thereafter ("Option Period"); provided, however, that if Grantee cures the Grantee Default within the Option Period, Grantor's Purchase Option will terminate.

(b) Grantee may exercise Grantor's Purchase Option by providing written notice to Grantor within the Option Period.

(c) The purchase price by which Grantor may purchase the Property shall be the lesser of:

- (1) The original cost to Grantee excluding closing costs (i.e., \$_____) and the cost of any Capital Improvements, and simple interest on the foregoing at the rate of one percent (1%) per annum (“Capital Improvements” means any legal improvements to the Property made by Grantee that have a useful life of at least 20 years at installation and are pre-approved by Grantor); or
- (2) The current fair market value of the Property as agreed upon by Grantor and Grantee, or if they do not agree, then such value shall be determined by a written appraisal prepared by a Hawaii-licensed real estate appraiser selected by Grantor (“Current FMV”). The cost for such appraisal shall be paid for by Grantee.

(d) If Grantor does not exercise Grantor’s Purchase Option within the Option Period, Grantee may sell the Property to a third party and shall be entitled to retain the proceeds from the sale; provided, however, if Grantee received the benefit of a Subsidy when it acquired the Property, then upon the sale of the Property, Grantee shall repay Grantor the Subsidy and pay Grantor any Proportionate Shared Appreciation, as such terms are set forth as follows:

(1) “Subsidy” means \$_____, which is the difference between the original fair market value of the Property as determined by a written appraisal prepared by a Hawaii-licensed real estate appraiser at the time of the original purchase obtained by Grantor (i.e., \$_____) (“Original FMV”) and the original cost to Grantee excluding closing costs (i.e., \$_____).

(2) “Proportionate Shared Appreciation” means the Subsidy divided by the Original FMV the product of which is then multiplied by the difference between the Current FMV and the Original FMV.

(e) If Grantor shall not have exercised its Purchase Option and Grantee shall have sold the Property to a third party, (1) Grantor’s Purchase Option will be cancelled; and (2) the Deed Restrictions will be cancelled, so that they will no longer affect the Property.

5. **Lender Protection.** (a) The Deed Restrictions shall be automatically extinguished and shall not attach in subsequent transfers of title to the Property when a mortgage holder or other party becomes the owner of the Property pursuant to a mortgage foreclosure, foreclosure under power of sale, or a conveyance in lieu of foreclosure after a foreclosure action is commenced; provided that the mortgage is the initial purchase money mortgage, or that Grantor consented to and agreed to subordinate the restrictions to the mortgage when originated, if the mortgage is not the initial purchase money mortgage; or when a mortgage is assigned to a federal housing agency.

(a) Any law to the contrary notwithstanding, a mortgagee, prior to commencing mortgage foreclosure proceedings, shall notify Grantor in writing of:

- (1) Any default of the mortgagor under the mortgage within ninety (90) days after the occurrence of the default, and
- (2) Any intention of the mortgagee to foreclose the mortgage under chapter 667 forty-five (45) days prior to commencing mortgage foreclosure proceedings; provided that the mortgagee's failure to provide written notice to Grantor shall not affect the holder's rights under the mortgage. Grantor shall be a party to any foreclosure action, and shall be entitled to its Subsidy and Shared Appreciation in lien priority when the payment is applicable.

EXAMPLES OF THE REPURCHASE PRICE CALCULATION & SHARED APPRECIATION CALCULATION

Repurchase price by HHLT - EXAMPLE

The purchase price shall be the lesser of:

- (1) The original cost to Grantee excluding closing costs and the cost of any legal capital improvements added by Grantee, and simple interest on the foregoing at the rate of one percent (1%) per annum; or
- (2) The current fair market value of the Property as agreed upon by Grantor and Grantee, or if they do not agree, then such value shall be determined by a written appraisal prepared by a Hawaii-licensed real estate appraiser selected by Grantor ("Current FMV"). The cost for such appraisal shall be paid for by Grantee.

EXAMPLE OF (1):

a. Purchase price/original cost of home:	\$300,000
b. Approved Legal Capital Improvements:	\$10,000
c. COMBINED COST:	\$310,000
d. 1% per annum (\$310,000 x 0.01)	\$3,100 per year
e. Equity to owner in 10 years:	\$3,100 x 10 years = \$31,000
f. CALCULATED REPURCHASE PRICE:	\$310,000 + \$31,000 = \$341,000

EXAMPLE OF (2)

a. APPRAISED VALUE OF THE HOME:	\$340,000
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LESSER OF 1 & 2 CALCULATION/REPURCHASE PRICE BY HHLT: \$340,000

Shared appreciation – applicable only if HHLT does not repurchase the home

If HHLT waives its option to repurchase the home, the homeowner may sell the property on the open market. However, if HHLT subsidized the purchase price when the homeowner bought the property, the subsidy will be repaid as well as a Proportionate Shared Appreciation.

- (1) "Subsidy" means \$_____, which is the difference between the original fair market value of the Property as determined by a written appraisal prepared by a Hawaii-licensed real estate appraiser at the time of the original purchase obtained by Grantor (i.e., \$_____) ("Original FMV") and the original cost to Grantee excluding closing costs (i.e., \$_____).
- (2) "Proportionate Shared Appreciation" means the Subsidy divided by the Original FMV the product of which is then multiplied by the difference between the Current FMV and the Original FMV.

EXAMPLE:

Original FMV	\$350,000
Original Purchase Price	<u>-\$300,000</u>
Subsidy	\$ 50,000
 Current FMV	 \$488,000

Subsidy	\$ 50,000
Divided by Original FMV	<u>\$350,000</u>
Proportionate Share	14.3%
Current FMV	\$488,000
Less Original FMV	<u>-\$350,000</u>
Difference between Original FMV and Current FMV	\$138,000
Multiplied by Proportionate Share	<u>x 14.3%</u>
Proportionate Shared Appreciation	\$ 19,734
Subsidy	\$ 50,000
Proportionate Shared Appreciation	<u>+ 19,734</u>
Amount to HHOC HLT	\$ 69,734