

Pre-Purchase Stewardship

It starts with Program Design

April 30, 9 – 10:15 | Julie Brunner



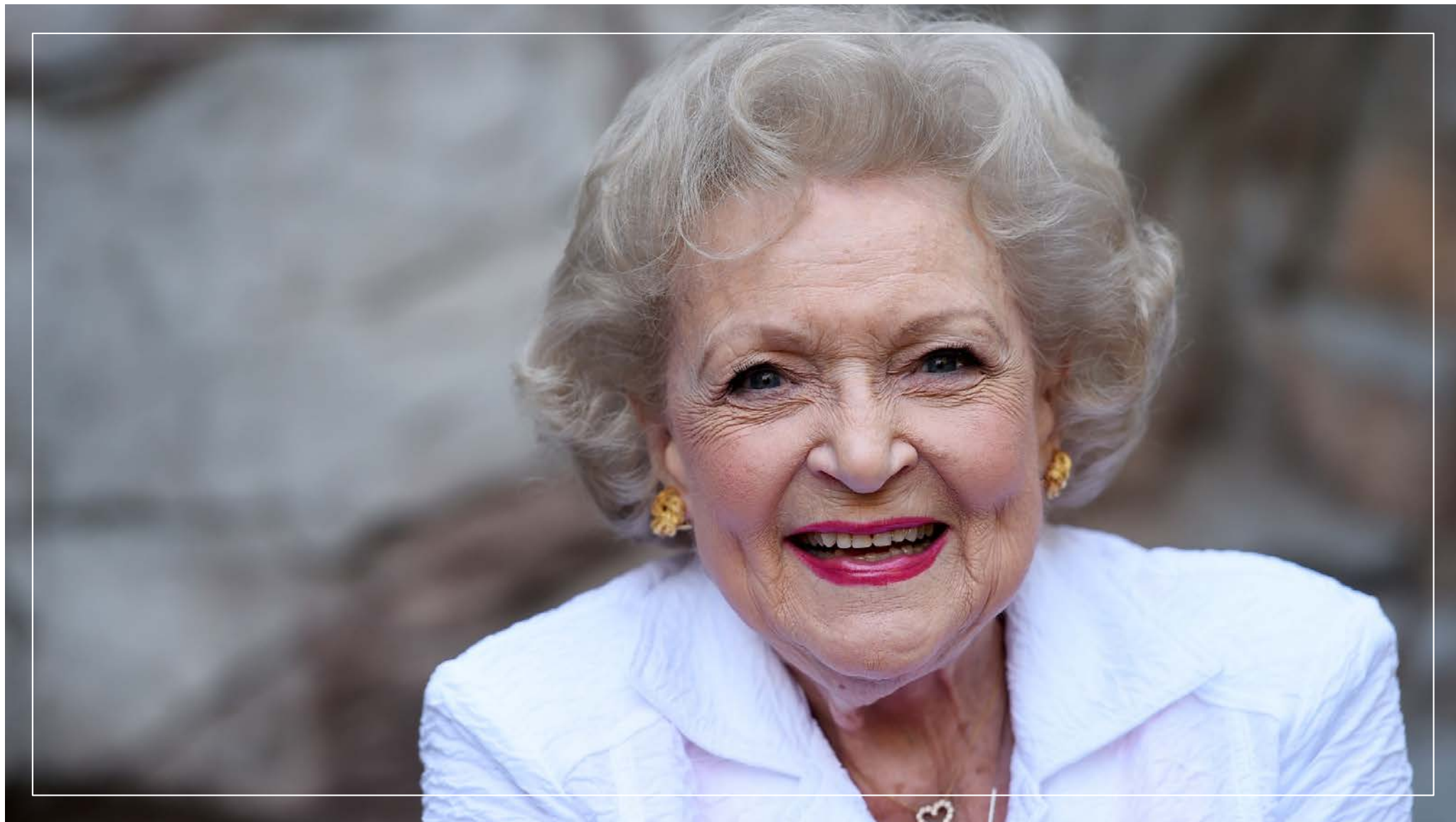


**WHAT IS
STEWARDSHIP?**

A close-up photograph of two hands, one larger and one smaller, cupping a small green seedling with several leaves. The hands are holding a mound of dark brown soil. The background is a soft, out-of-focus green, suggesting an outdoor setting. The lighting is warm and natural, highlighting the texture of the skin and the vibrant green of the plant.

AGENDA:

- **What is Stewardship**
- **Stewardship Philosophy**
- **Legal Agreements**
- **The Homes**
- **Outreach and Education**
- **Managing Applicants**
- **Eligibility and Selection**
- **Mortgage Financing**
- **Data Management**



**99 Years is a
LONG time!**



**DO IT RIGHT
THE FIRST TIME**

What is Stewardship?

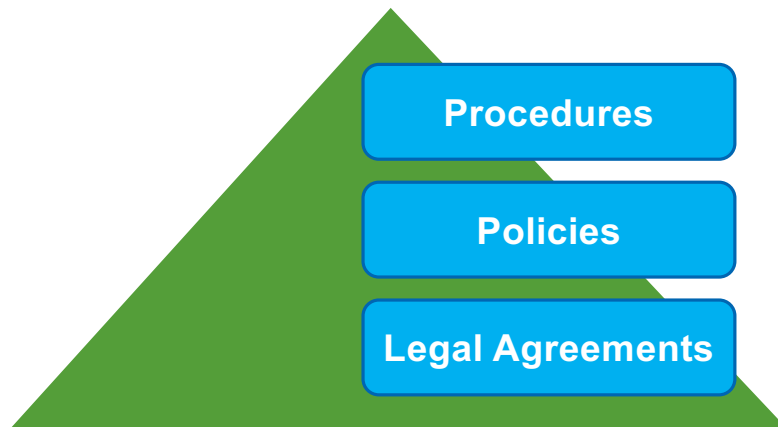
Affordable homeownership stewardship is a set of practices designed to help households maximize wealth, while protecting the program and its community investment. **Stewarded homeownership programs work with buyers before and after they purchase their homes to ensure that they are well-prepared for homeownership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

What is Stewardship?



1. **PROMOTE** the success of homeowners.
2. **PROTECT** the affordability of publicly-subsidized homes.
3. **PRESERVE** the quality and condition of homes for future generations.
4. **PREVENT** the loss of public investment and homeowner returns, especially to foreclosure.

What is Stewardship?



Key Considerations:

- Program Values
- Funder Requirements
- Equity
- Administrative Practicality



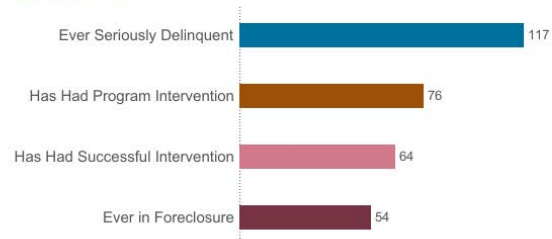
WHY DO IT?

- ✓Your mission
- ✓Commitment to homeowners
- ✓Commitment to funders
- ✓Legal documents alone don't work
- ✓We know it works



Are delinquencies and foreclosures common? ?

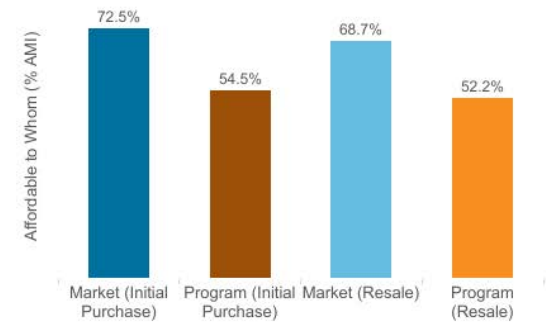
9,863 purchases



Of all 7,547 current owners, only 17 (0.23%) were currently in foreclosure when data was last refreshed, compared to an estimated 2.09% of all homeowners nationwide (from Mortgage Bankers Association, National Delinquency Survey, 2nd Quarter 2015 - <http://bit.ly/1LulkWh>).

How much affordability is preserved? ?

1,517 resales



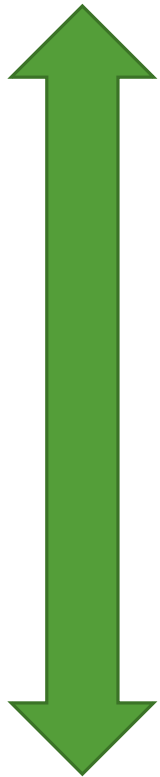
The typical resale was initially affordable to households earning 54.5% of AMI, and at resale to households earning 52.2% of AMI.

STEWARDSHIP WORKS!

A photograph of two children playing on a seesaw. A girl with curly hair is on the right side, leaning down, and a boy is on the left side, sitting up. The image is overlaid with a semi-transparent green filter. The text "STEWARDSHIP: WHAT'S YOUR PHILOSOPHY?" is centered in a white box.

STEWARDSHIP: WHAT'S YOUR PHILOSOPHY?

Stewardship Philosophy



Primary Goal to Create Community and Engagement

Talk to homeowners frequently with many events.
Owners reach out often with updates about home and life.

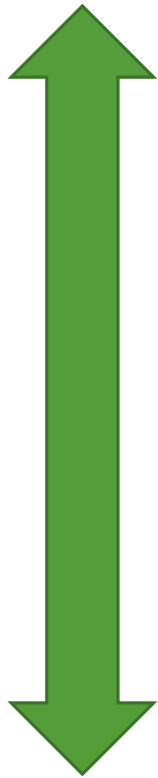
Primary Goal to Ensure Successful Homeowners

Most communication is about compliance and program requirements, e.g., a couple events each year and quarterly newsletters.

Primary Goal to Meet Legal and Programmatic Requirements

Only talk to owners at purchase and resale.

Stewardship Spectrum



Extra – The things we would like to do if resources allow

Cooperatively owned tools/vehicles; courses on leadership/meeting facilitation.

Effective - What does it take to be successful?

Below + support homeowners in trouble; reserve funds; facilitate roof replacement/painting etc.

Minimal - Meet legal obligations – what is in the lease?

Oversee resales; collect fees; disburse reserves

Stewardship Spectrum: Minimum



Collect fees



**Monitor
occupancy**



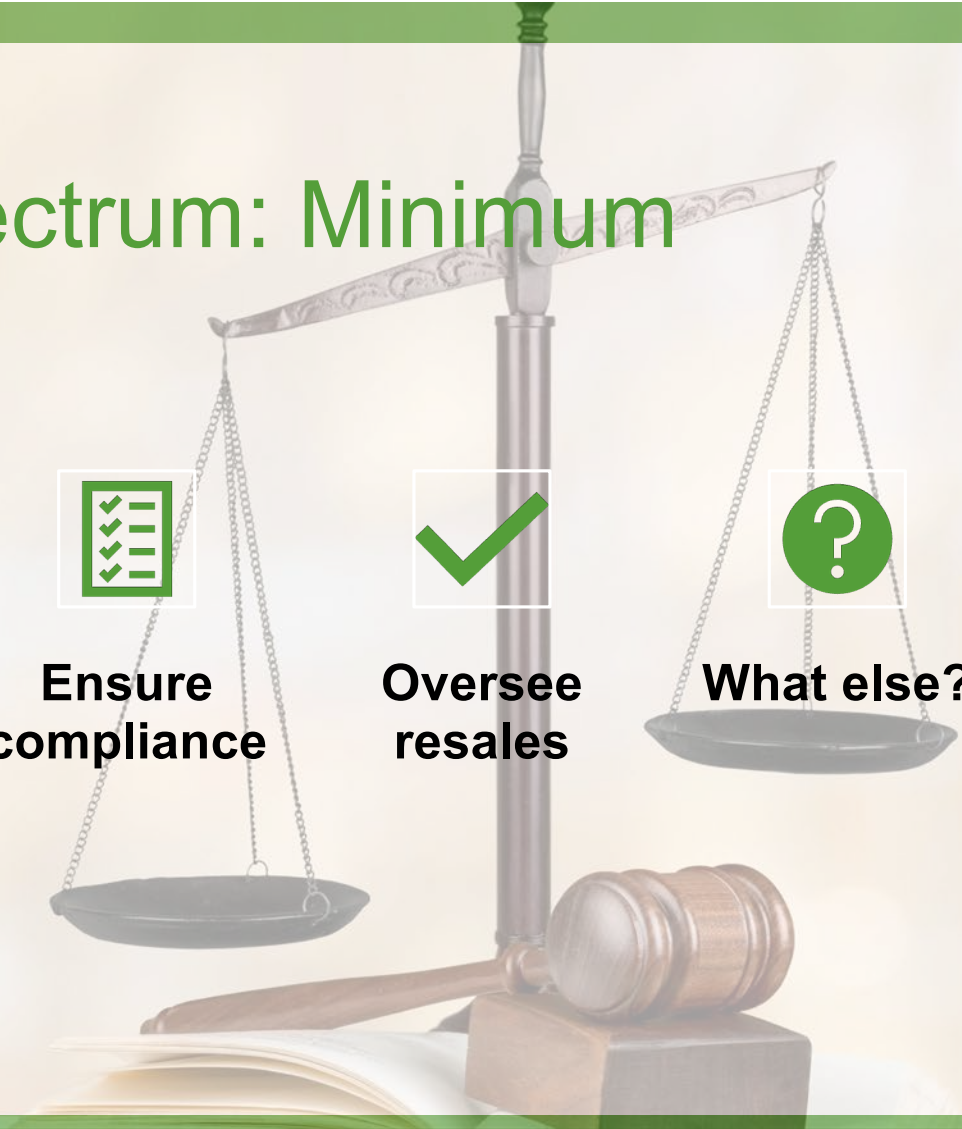
**Ensure
compliance**



**Oversee
resales**



What else?



Spectrum of Stewardship: Effective



Spectrum of Stewardship: Extra

Effective +

Cooperative ownership – lawn equipment; tools; cars

Coordinate larger contracting efforts

Enhanced leadership training

Aging in place support

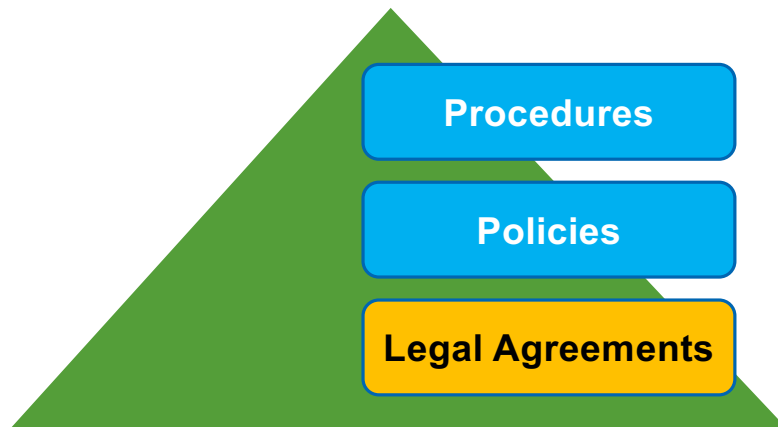
What else?



What is Pre-Purchase Stewardship?

- ✓ **Affordable Base Prices**
- ✓ **Resale Formulas**
- **Legal Agreements**
- **Attorney Review**
- **Eligibility and Selection**
- **Managing Applicants**
- **Outreach and Education**
- **Mortgage Financing**
- **Data Management**

What is Stewardship?



Key Considerations:

- Program Values
- Funder Requirements
- Equity
- Administrative Practicality

Legal Documents, Policies & Procedures

Key Considerations

- Legal or funder requirements
- Program values
- Racial equity & inclusion
- Ease of Administration
- Others?



Legal Mechanisms

Ground Lease

- Dual Ownership
- Used widely by CLTs
- Enables longer term restrictions

Affordability Covenant/Deed Restriction

- Restrictions running with the land
- Used widely by local governments
- Term is limited by state law

Both Options Used By

- Community Land Trusts
- Habitat for Humanity Affiliates
- Other nonprofit housing providers



GSN Model Ground Lease + Affordability Covenant - Content

Term - 99-years (DR may be shorter)

Resale formula – calculates the future price

Buyer income eligibility

Inheritance

Owner Occupancy

Improvements

Fees

Recording – Leasehold Transaction

1519205 KFP
1519205 KFP
1519205 KFP
1519205 KFP

89-334761

Free Recording Requested by the
State of California pursuant to
Government Code Section 6103

Recorded at the request of
FIRST AMER. TITLE INS. CO.
8:00 JUN 26 1989
A.M. Official Records
Orange County, California
Lee A. Branch, Recorder

By: William G. Knight
William G. Knight
Assistant General Counsel
The California State University

When Recorded Mail to:
State of California
California State University
Physical Planning & Development
Office of Real Estate and Design Services
Attention: Mr. Charles Happe
PO Box 3502
Seal Beach, California 90740-7502

EXEMPT
C14

APN 281-073-21, 281-073-13
(Space above this line for Recorder's Use)

The undersigned Grantors declare:

No Documentary Transfer Tax is due pursuant to Revenue and
Taxation Code Section 11922. An agency of the State of
California, an exempt agency, is acquiring title.

GRANT DEED

AS A GIFT AND DONATION, C.S. CHAPMAN, JR., a married
man as his sole and separate property, as to an undivided 18.75%
interest; MARY ANNE BLAINE, a married woman as her sole and
separate property, as to an undivided 18.75% interest; ELIZABETH
E. BOWMAN, an unmarried woman as her sole and separate property,
as to an undivided 18.75% interest; and C.S. CHAPMAN, JR., MARY
ANNE BLAINE, and ELIZABETH E. BOWMAN, TRUSTEES OF THE EL DORADO
FOUNDATION UNDER DECLARATION OF TRUST DATED DECEMBER 30, 1983, a
tax exempt private foundation, as to an undivided 43.75%
interest; as tenants in common,

HEREBY GRANT TO:

TRUSTEES OF THE CALIFORNIA STATE UNIVERSITY, AN AGENCY
OF THE STATE OF CALIFORNIA, ON BEHALF OF CALIFORNIA
STATE UNIVERSITY, FULLERTON

The real property located in the City of Fullerton, County of
Orange, State of California, described in Exhibit "A" attached
hereto and incorporated by this reference.

1. Fee Simple Deed
2. Lease for Land
3. Deed for Home
4. Lender's Deed of Trust



**Legal Mechanism –
No Land = No Lease**

Recording Condo Docs + Affordability Covenant

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Orange, State of California, described in Exhibit "A" attached
hereto and incorporated by this reference.

1. Fee Simple Deed (LIFT DOT)
2. Lease for the Land
3. Condo Declaration
4. Deed for Unit
5. Affordability Covenant
6. Lender's Deed of Trust



Freddie Mac

**Fannie Mae and
Freddie Mac
Approved**



Fannie Mae

What can can you change?

Resale formula – calculates the future price

Buyer income eligibility

Inheritance

Owner Occupancy

Reserve Funds

Improvements

Fees

Cash out

Fill in the blanks....

- Resale Formula
- Occupancy Definition
- Maximum Cash Out
- Monthly Fees + Reserve Funds





What's your formula?

What are the options?

- Fixed Rate Formulas
- Appraisal Based Formulas
- Index Based Formulas

THE BODNER TEAM

ANNUAL

OCCUPANCY



OCCUPANCY DEFINITION

How many months constitutes full time occupancy?



CASH OUT

Up to% of Current
Purchase Option Price



What else can you change?

Buyer income eligibility

Inheritance

Reserve Funds

Improvements



Inheritance

Anyone can Inherit the asset

- To own and occupy must be income eligible

OR

- Spouse
- Child
- Someone who had be living in the home



RESERVE FUNDS

Webinar coming
soon....

CAUTION

**DON'T EVEN
THINK ABOUT
TOUCHING**

**And Please
Don't Change...**

- Numbering
- Length and Basic Content
- Permitted Mortgage Exhibit
- What else?



CAUTION



ATTORNEY REVIEW

Attorney Review

- Yes, Its Required!
- Don't rely on Attorney review alone
- Group or private in-house review prior to Atty Review
- Who pays for the review?
- Pro-bono or discounted rates





The Homes



If you build it,
they will come.

Right?

The Homes

- Location location location!
- Product (SF or multi-fam)
- Specifications
 - Quality
 - Durability
 - Energy efficiency
- HOA/Other costs
- Art of Pricing



Remember...

- 99 years is a LONG time!
- Sometimes free is too expensive
- If they don't sell – the price is too high
- If things go wrong – you may need to get out



A low-angle photograph looking up at a bright blue sky filled with soft, white clouds. Numerous hands of various skin tones are reaching up from the bottom and sides, their fingers spread, creating a circular frame around the center. The word "OUTREACH" is superimposed in the middle of the image in a bold, green, sans-serif font with a slight 3D effect and a drop shadow.

OUTREACH



MARKETING AND OUTREACH

- Know who you want to reach
- A plan to reach target market
- Educate the general public and buyers
- Market individual opportunities



MARKETING AND OUTREACH - PARTNERS

- Housing Counselors
- Realtors
- Appraisers
- Title Companies
- Mortgage Lenders
- Contractors
- Neighborhood Groups & Nonprofits
- Schools/employers



MARKETING AND OUTREACH - BARRIERS

- Language
- Homebuyer Readiness
- Displacement
- New ideas









HOMEBUYER EDUCATION



Home Buyer Class



Homebuyer Education

- CLT Basics
- Your program details
- HOA/Condo Association
- Their rights/roles
- Pro-bono or discounted rates



Marketing Outreach and Education

- **REQUIREMENT** = Fair Housing, Funder Contracts
- **POLICIES/WHY** = Educated, successful homebuyers
- **PROCEDURES/WHAT** = Marketing plan, partner agreements, evaluation tools




Achieve Financial
CREDIT UNION



Applicant Eligibility and Selection

Your program has a stated goal of undoing some of the past injustices Black residents have suffered in your jurisdiction and your local jurisdiction did their homework of documenting those government perpetuated injustices. The result is that you are able to prioritize residents or descendants of a Black neighborhood who have been displaced by public actions.

After lots of hard work and outreach, you are successful and have Black families with ties to the neighborhood at the front of your line. But once the dust has settled and you are reviewing the demographics of your new homeowners, you notice that racial profile of the end buyers is not what you had hoped.

What went wrong and what can you do different next time to do better?

What is an applicant pool?

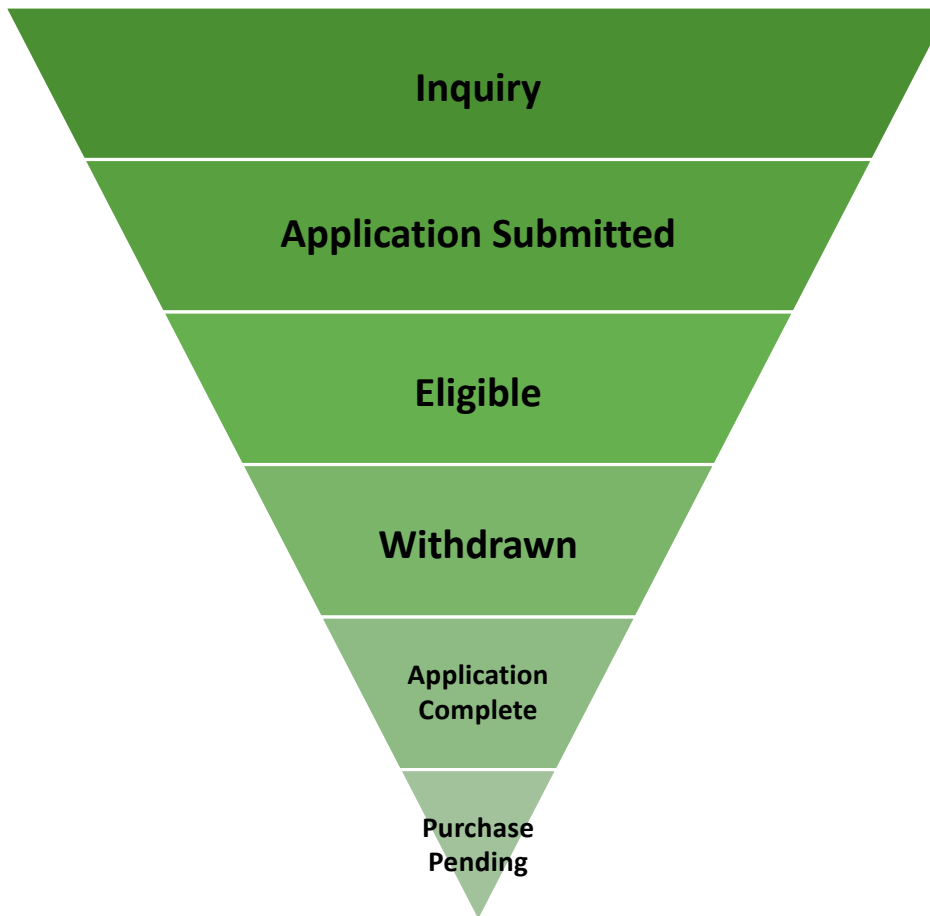


Managing Applicant Pool

- YOU NEED A SYSTEM!
- How do people apply?
- Who reviews/approves applications?
- What then?



Managing Applicant Pool



Managing Applicant Pool



Applicant Pipeline – Effort vs. Opportunity

Managing Applicant Pool

- Full Applications up front? or
- Minimal info unless they are selected?
- How do you assess demand?



Managing Applicant Pool

- Write it down
- Follow your own rules
- Check your work
- Evaluate the outcome of your process





Applicant Eligibility and Selection

Buyer Eligibility

- Maximum Area Median Income
- Homebuyer Education
- Maximum Assets?
- First Time Homebuyer?
- Minimum Cash to Close?



Buyer Eligibility

- HH size vs. # Bedrooms?
- Lender Pre-qualification Letter
- Others?



Buyer Eligibility

- Funder requirements may vary
- AMI may vary house to house
- May target specific populations
- Other criteria generally stay the same



Buyer Selection

- First come first served
- Lottery
- Weighted Lottery
- Tie breaker or point system



Buyer Selection

- **TRANSPARENT** and documented
- Clear and publicly available
- Easy to implement and understand



Buyer Eligibility and Selection

- **REQUIREMENT** = Fair Housing, Funder Contracts
- **POLICIES/WHY** = Funder compliant, org goals, fair and transparent process
- **PROCEDURES/WHAT** = The nitty gritty – staff implementation guidelines re: who buys

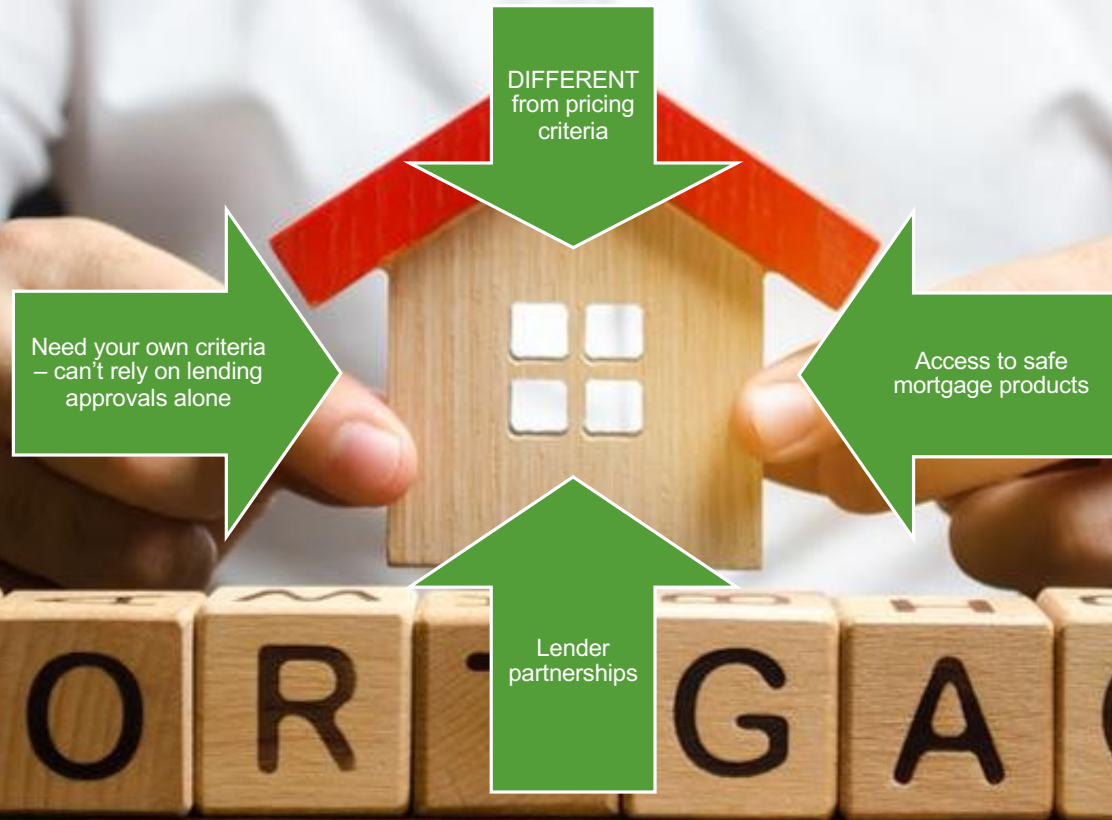




A hand holding a pen, pointing at a word cloud of mortgage-related terms. The word cloud includes the following words:

estate sale agency
financing document
contract man
personal letting rent
commitment application
key concept
money approved lender
agreement word agent
institution investment owner
purchase purchase
real
banking loan
fixed banker
finance credit
house house
housing renter
bank afford
payment business
amount realtor
buyer increase
rating buy
considerations monthly
rate developer
borrower
home home
ownership ownership
residential seller

What are your financing criteria?



3 MAIN TYPES OF MORTGAGE LENDERS



Lender Partnerships

- Start early
- Formal or informal partnerships
- Duty to Serve
- Approved lender list



Freddie
Mac



FannieMae®

Raise Debt to Income
Ratios to 50%!

Permitted Mortgages

- Fixed rate mortgages. Max 30-year.
- HELOC – yes/no?
- Max Loan to Value Ratio (95% at refinance)
- Max Front End Ratio (35%)
- Max Back End Ratio (45%)
- Max Interest Rate (Fannie/Freddie 30 year + 2%)



Permitted Mortgages

- NO Stated Income Mortgages
- NO Interest Only Mortgages
- NO Adjustable Rate Loans
- NO Balloon Payment Loans?
- NO Negative Amortizing Loans?



Lender Authorization

FORM: HOMEOWNER CONSENT TO THIRD PARTY NOTICE

It is important for you to collect this form for every purchaser as it will enable you to communicate directly with the lender in the case of homeowner default. For more information about how this form may enhance your monitoring activities, see the procedure on homeowner defaults and foreclosure.

Delete this box upon finalizing the document.

Borrower Name (s): _____



Permitted Mortgages

- **REQUIREMENT** = Complies w Permitted Mortgages
- **POLICIES/WHY** = AFFORDABLE, safe secure financing for buyers.
- **PROCEDURES/WHAT** = Process that includes Org approval of financing prior to closing, lender education etc.





YOUR MORTGAGE FINANCE POLICY SAYS THAT BUYERS MAY NOT PAY MORE THAN 33% OF THE GROSS MONTHLY INCOME TOWARDS THE MONTHLY HOUSING COST (PITI). BUT YOU HAVE AN APPLICANT WHO HAS SUCCESSFULLY BEEN PAYING RENT THAT IS 40% OF THEIR MONTHLY INCOME, AND THIS HOMEBUYING OPPORTUNITY WOULD GIVE THEM THE CHANCE TO STABILIZE THEIR MONTHLY HOUSING COSTS AT 37% OF THEIR INCOME.

DO YOU SAY YES? NO? DO YOU HAVE A POLICY THAT CAN ADDRESS THIS SITUATION IN A WAY THAT IS EQUITABLE BUT ENSURES HOMEBUYERS ARE INDEED BUYING HOMES THEY CAN AFFORD?



DATA MANAGEMENT





OUTPUT

VS.

OUTCOME

requires
partners

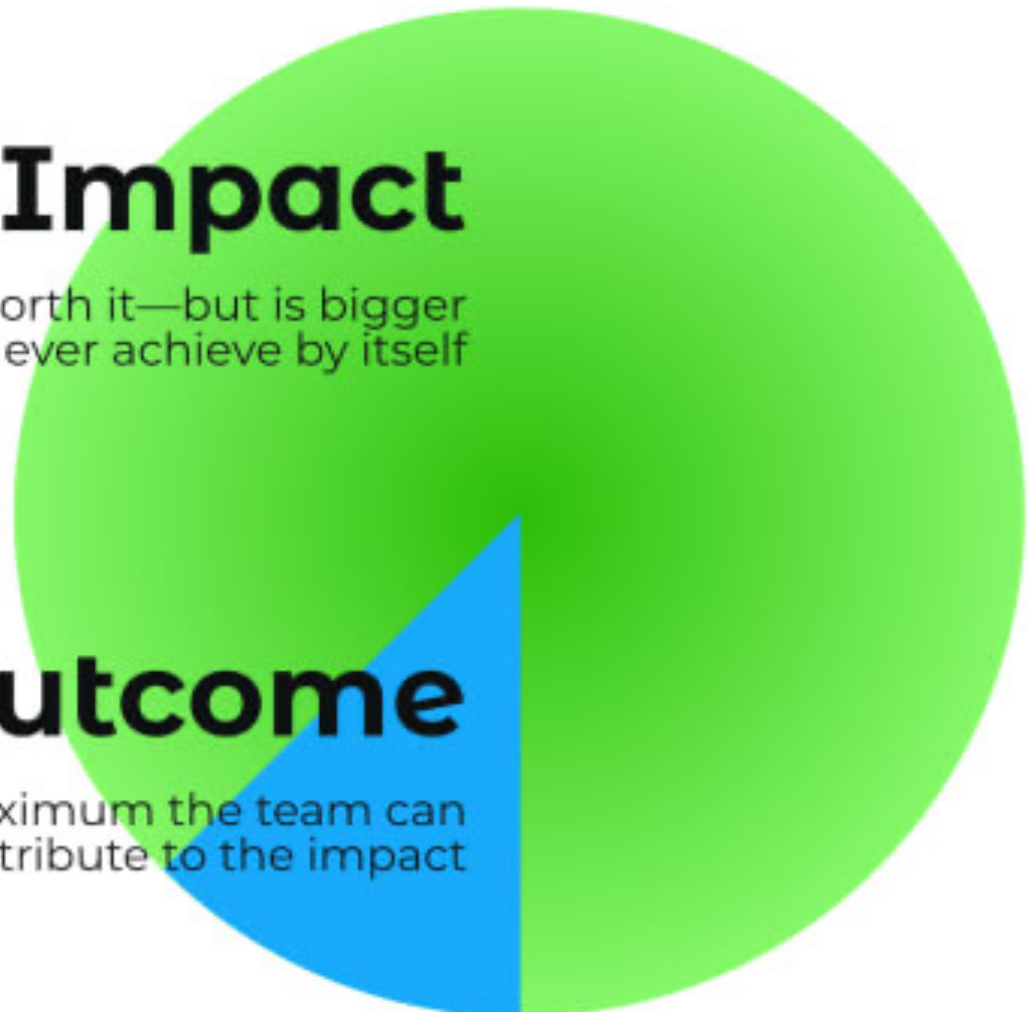
Impact

What makes it all worth it—but is bigger than the team could ever achieve by itself

requires
time

Outcome

The specific maximum the team can noticeably contribute to the impact



Benefits of Home Ownership



What Data Should You Collect?



Data Collection Checklist

Are you collecting the HomeKeeper National Data Hub fields?

Representatives from the field and homeownership researchers helped Grounded Solutions assemble a standardized list of data fields to be used to measure program performance and impact. By having programs collect the same data in the same way, we can create more accurate reports at the national level. This checklist is designed to help homeownership programs that preserve affordability over the long term align program documents and procedures with HomeKeeper data collection standards. Review this list of data fields and consider what changes you need to make to align your information to that of your peers.

Application Information

	Field Label	Notes
☐	Applicant Address	Including street, city, state, postal code and county of the primary homebuyer applicant's home address at the time of application. This information should be stored in 5 separate fields.
☐	Applicant Living Situation	<u>Best</u> * Own * Live with Parents / Relatives / Friends * Lease Purchase * Other
☐	Ethnicity	Hispanic * Not Hispanic * Chose Not to Respond
☐	First-Time Homebuyer	Check the box if the applicant household is a first-time buyer, as defined by the program.
☐	Household Size	At the time the income is certified or verified
☐	Person w/ Special Needs in HH	Is there a person in the household with a disability of long duration? Yes or No?
☐	Primary Language Spoken	What is the primary language spoken by the applicant?
☐	Household Race	Select 1 answer for each household: American Indian or Alaska Native * Asian * Black or African American * Native Hawaiian or Pacific Islander * White * American Indian AND White * Asian AND White * Black or African American AND White * American Indian AND Black * Other multiple race * Chose Not to Respond
☐	Gross Annual Income	This amount should include all income sources, whether or not they are included for the purposes of determining the eligibility income.
☐	Occupation	The job title or position linked to the largest income source for the household.
☐	Occupation Description	Provide a brief description with more detailed information on the occupation or income source.



Data Collection Checklist – Housing Counseling

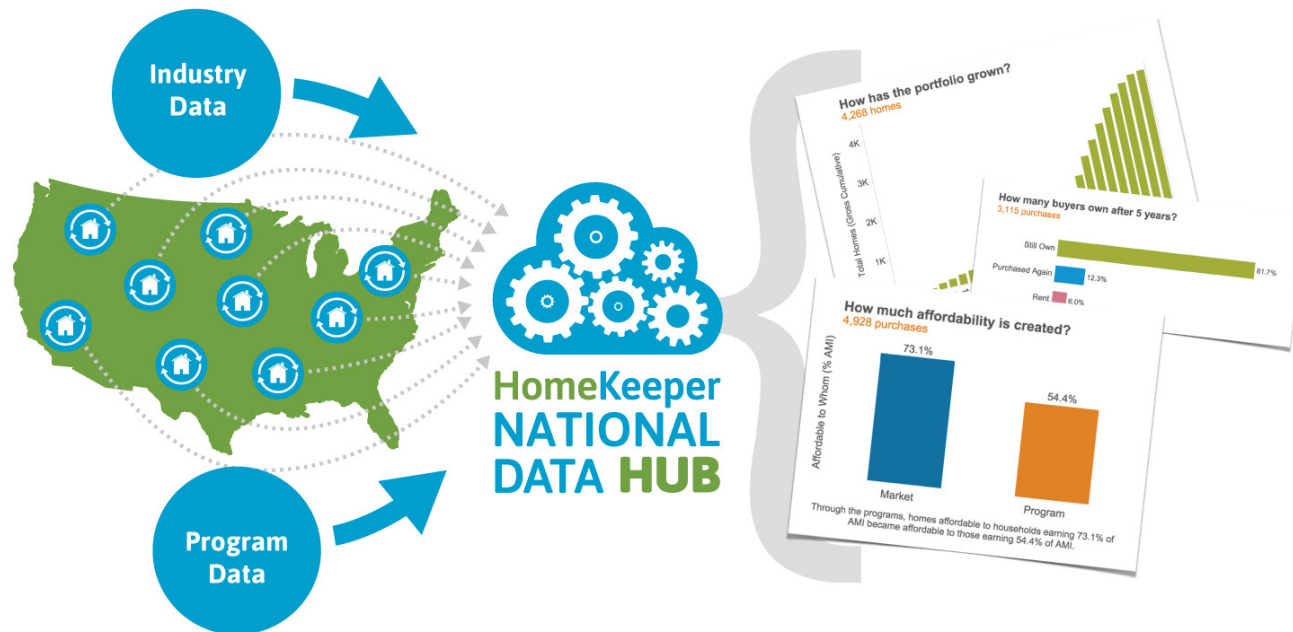
Are you collecting the fields required to report to HUD?

Measuring impacts starts with standardized data tracking. This checklist helps housing counseling programs align program documents and procedures with HUD's minimum reporting requirements and HomeKeeper's data collection standards. It does not include additional information your organization may track for internal reasons, or data required by other funders. Following these guidelines now will also help you import your data into HomeKeeper. Review this list of data fields alongside your program documents and consider what changes you need to make to align your information to these industry standards.

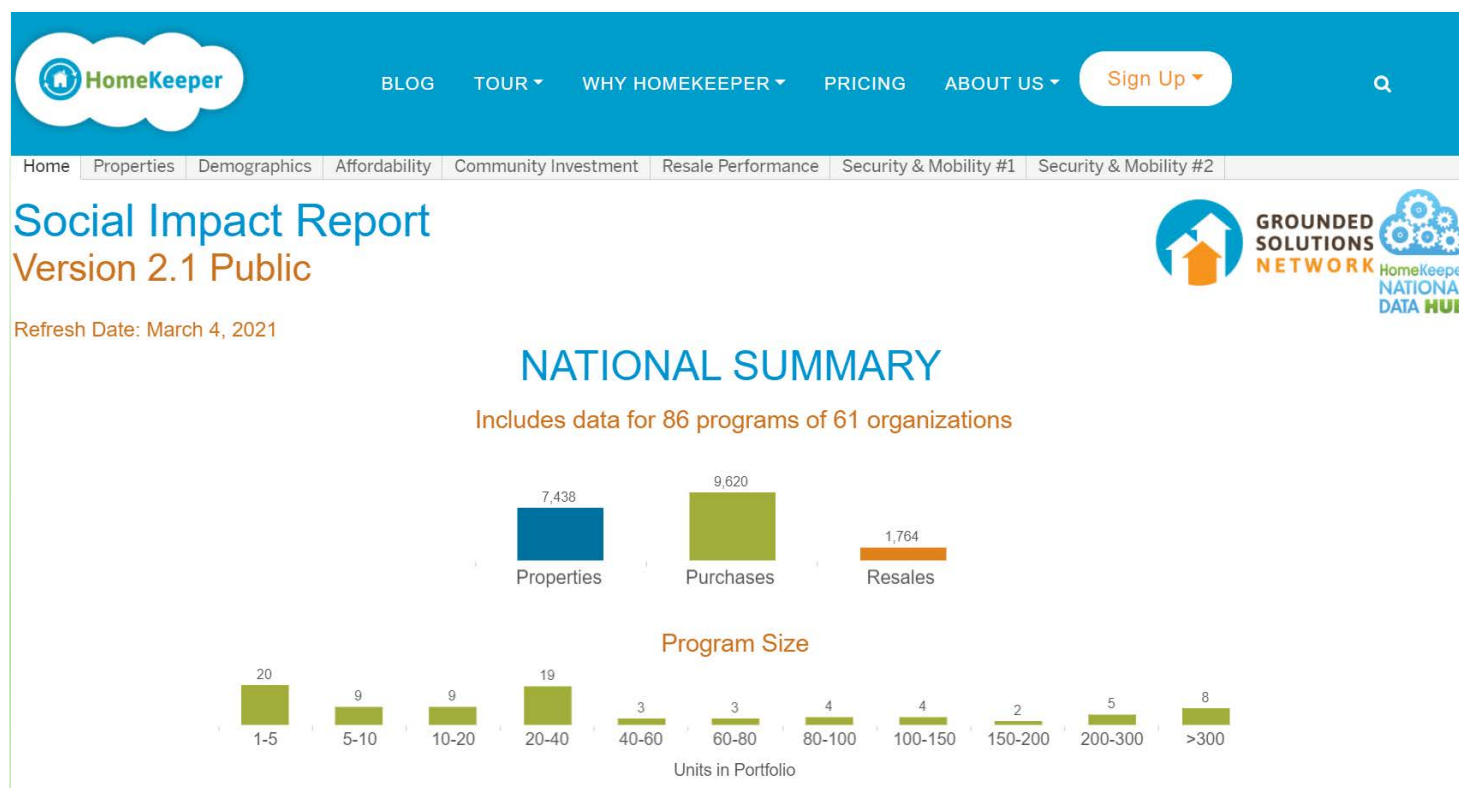
Application Information

	Field Label	Notes
☐	Client City, State, Zip	You may also want to track street addresses, but it is not required.
☐	Client Gender	M/F/O for Male, Female, Other (This is optional per HUD as of Fall 2018)
☐	Client Marital Status	Unknown * Married * Single * Divorced * Separated * Widowed * Chose not to respond
☐	Client and Group Session Attendee Race	American Indian Alaskan Native * Asian * Black or African American * Native Hawaiian or Other Pacific Islander * White * American Indian or Alaska Native and White * Asian and White * Black or African American and White * American Indian or Alaska Native and Black or African American * Other multiple race * Chose not to respond
☐	Client and Group Session Attendee Ethnicity	Unknown * Hispanic * Not Hispanic * Chose not to respond
☐	Client Head of Household Type	Single Adult * Female-headed single parent household * Male-headed single parent household * Married without dependents * Married with dependents * Two or more unrelated adults
☐	Client Household Gross Monthly Income	Default to '0' if unknown.
☐	Client Highest Education	Unknown * Junior High School * High School * Other * Junior College University * Graduate School

HomeKeeper National Data Hub



HomeKeeper National Data Hub



<https://myhomekeeper.org/social-impact-dashboard/>

Questions?

