
Kulshan Community Land Trust
A Community Partner for Permanently Affordable Homeownership Solutions

**HOMEOWNERSHIP OPPORTUNITIES
COMPLETE INFORMATION PACKET**

2016



KulshanCLT
a *community* land trust

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INTRODUCTION TO KULSHAN CLT

What is a Community Land Trust?

KulshanCLT is one of over two hundred community land trusts in the nation today. The purposes of a Community Land Trust are to provide access to land and housing to people who are otherwise denied access, to increase long-term community control of neighborhood resources, to empower residents through involvement and participation in the organization, and to preserve the affordability of housing permanently. Though the program specifics vary among different CLTs, the basic model is the same. CLTs offer a balanced approach to ownership: the CLT owns the land and leases it for a nominal fee to individuals who own the buildings on the land. As the home is truly their own, it provides the homeowners with the same permanence and security as a conventional buyer, and they receive a reasonable rate of return on their investment. The community at large benefits from the stability brought about by having affordable owner-occupied homes and future low- and moderate-income homebuyer's benefit from having quality homes affordable to them.

Who is KulshanCLT?

KulshanCLT is made up of over 350 community members – we encourage you to join – and is a democratically structured, membership-based non-profit organization with a mission to create healthy communities through stewardship of permanently affordable homes and homeownership opportunities. We promote affordable, ecologically sound land use for housing and working landscapes by offering financial and educational support to the residents of Whatcom County.

HOMEOWNERSHIP OPPORTUNITIES

KulshanCLT has successfully assisted over 150 households achieve their homeownership dreams. There are two primary paths to homeownership in partnership with KulshanCLT:

- **HomeBuyer Driven Program** - Shop for a single-family home or condominium on the open market with downpayment assistance from KulshanCLT. If there are resources, you may be able to go shopping and “bring a home into the trust.”
- **KulshanCLT Resale** – Current KulshanCLT homeowners notify us if and when they decide to sell their homes. Because the homes in KulshanCLT's portfolio remain affordable upon resale, purchasing a home from a current KulshanCLT homeowner may also be an option for you.

THE HOMEBUYER DRIVEN PROGRAM

How does the HomeBuyer Driven Program Work (for single-family detached homes)?

KulshanCLT writes grants to a variety of public funders and compiles as much “gap funding” (sometimes also called “downpayment assistance”) as we can to make homes, offered on the conventional open market, affordable for eligible homebuyers. You qualify for a conventional mortgage that is affordable to your household and then, together with the “gap funding” from KulshanCLT, you shop for a quality home in Bellingham. At the time you actually “close” on your purchase, you purchase the home and KulshanCLT acquires the land. At that point, you sign a 99-year, renewable, inheritable ground lease with KulshanCLT. Under this ground lease agreement, you have full rights and responsibilities to and for the land, but agree that when or if you sell your home, you do so at a price that is affordable to the next household of modest means – in accordance with the resale formula.

How does Permanent Affordability work with Condos?

Just like in the explanation above for single-family detached homes, in exchange for the ‘gap funding’ provided by KulshanCLT which creates the possibility for you to own a condominium home you couldn't otherwise afford, you agree to same deal as stated above. Instead of KulshanCLT owning the land (since in most condo scenarios, there isn't land to own,) you would sign a legally enforceable “affordability covenant”. This

agreement states that if or when you choose to sell your condominium home you promise to do so at a price that is affordable to the next low to moderate income homebuyer – in accordance with the resale formula.

Owning a home (either single-family or condo) in partnership with KulshanCLT also means that you have to occupy your home as your primary residence. Like any homeowner, you're also responsible for maintaining and repairing and improving your home as needed. You'll learn more about the agreement with KulshanCLT and the resale formula in this document as well as through conversations with KulshanCLT staff and/or current homeowners.

KULSHANCLT REALES

What happens if a KulshanCLT homeowner wants to sell their home?

As explained above, KulshanCLT homeowners enter into an agreement with KulshanCLT that states should they need or want to sell their home, they do so in accordance to the resale formula. This formula both provides a financial return to the owner/seller *and* helps to ensure affordability for the next household. Homes already in the trust can only be sold to another qualified KulshanCLT applicant. Ask staff if there are any current KulshanCLT homes available for purchase. You can also see information on affordable Resales on our website, www.KulshanCLT.org.

More about the Resale Formula

As outlined in the ground lease, when a KulshanCLT homeowner wants to sell their home, they can sell it to another income qualified household for a maximum price of the following: their original contribution or “base price” (which in most instances consists of their original contract purchase price minus subsidy,) plus 1.5% simple interest, plus the value of credit-eligible improvements minus the value of any deferred maintenance or damage.

It helps to see real numbers to better understand it. Here is an *example* of the resale formula:

- KulshanCLT has **\$55,000** in gap funding available.
- Your household can afford a mortgage of **\$148,000**.
- You have enough cash available to pay your required 1.5% down payment (**\$3,000**) toward the closing costs of roughly **\$8,000**.
- You'll go shopping for a home that costs **\$198,000**.
- Your “base price” then is **\$143,000**. This is what *you* paid for your home (it does not include the closing costs you paid or KulshanCLT's gap funding).
- The resale formula increases the maximum value of your home by **1.5%** each year.
- Let's say you own your home for seven years but after the seventh year you decide to sell it. Your maximum formula resale price would be **\$158,015** (\$143,000 + 1.5% simple interest).
- If the interest rate on your mortgage is 4.75%, your equity, at the time of sale would be roughly **\$28,528**. This is made up of both the 1.5% formula increase (\$15,015) and the amount of your loan that you have paid off (\$13,513) over those seven years. Equity amount does not account for your share of closing costs at the time of sale.

ELIGIBILITY REQUIREMENTS

You are eligible for KulshanCLT's assistance if you meet the following six criteria:

1. **Minimum residency:** You must currently live in or work in and have lived or worked in Whatcom County for at least one year. The Executive Director may grant an exception to this rule for good cause.
2. **Income:** Your household income may not exceed 80% of the median income for Whatcom County for your household size. The maximum gross income (before taxes) by family size is shown in the table below. Proof of income is required as part of the application to KulshanCLT. Household size is based on

the number of full-time household occupants regardless of age and income. All non-borrowing occupants should be included if they are living with you currently and plan to live with you in the future. Please note: If your household income is less than 50% AMI, there will be additional qualification requirements to prove that you are financially responsible and able to commit to homeownership.

Income Table as of March 2016

| Household size | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8+ |
|----------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| <i>Income Limit</i> | <i>\$39,150</i> | <i>\$44,750</i> | <i>\$50,350</i> | <i>\$55,900</i> | <i>\$60,400</i> | <i>\$64,850</i> | <i>\$69,350</i> | <i>\$73,800</i> |

3. Ability to get a mortgage:

- **Credit Rating:** You must have a good credit rating showing no significant delinquencies in the past year and no bankruptcy in the past three years. You will work with one of KulshanCLT’s participating lenders to determine your credit score, to create a plan to improve your credit or correct mistakes on your credit, if necessary.
- **Debt:** At the time you apply for a mortgage, your total monthly debt payments should be roughly no more than 5% of your gross monthly income. Debt includes any long-term obligations (a repayment period of more than six months), such as car payments, child support and student loans, plus the minimum monthly payment for all credit card debts. High debt is usually an obstacle to purchasing a home. Part of the pre-qualifying process with the lender will be to determine if you can get mortgage even though you have debt.
- **Employment and on-going income:** You must show proof of steady employment or income for at least one year. Sources of income include all wages, overtime and tips; interest and dividends; social security, annuities, pensions; unemployment, disability and severance compensation; alimony and child support; and most forms of public assistance. Self-employed individuals must demonstrate proof of earnings with tax returns for the past three calendar years.

You must have enough income to cover the costs of owning a home, including but not limited to mortgage payments, taxes, insurance, the nominal ground lease fee and maintenance and upkeep of the home. Sometimes condo dues or homeowner’s association dues are required as well. Once you purchase your home, your total housing payment should not exceed approximately 35% of your monthly gross income.

- 4. **Assets:** If you have net assets exceeding **\$20,000** in value, they must be used toward the purchase of your home. Assets include savings, land, mobile homes, recreational vehicles, boats, art collections, or similar items. Not included in the calculation of asset value are household possessions, cars, tools, IRS-designated retirement accounts, or pensions.
- 5. **First Time HomeBuyer:** For the most part, you must not currently own a home or have owned a home in the past three years. There are exceptions to this rule depending on the sources of funding that KulshanCLT can access. Be sure to ask KulshanCLT staff about your situation when you submit your application.
- 6. **Capital Requirement:** You must be able to contribute at least \$2,500, as the buyer’s down payment. Earnest money and appraisal deposits are included in the total contribution requirement. Inspections are not.

KULSHANCLT APPLICATION AND PURCHASE PROCESS CHECKLIST

What does it mean to apply to KulshanCLT?

Please read and familiarize yourself with the different steps in the application process listed below. Application to KulshanCLT is indeed a *process*. After you submit your application, pay the application fee, and complete the steps in Phase I (outlined below), you are considered part of KulshanCLT's applicant pool. At this stage you have access to homeownership opportunities and to counseling services provided by KulshanCLT staff. KulshanCLT staff will review your options with you after seeing your application. What happens next depends on the resources or homes available at that time.

The road to home ownership can be long, challenging and complex. Reaching your goal of homeownership in partnership with KulshanCLT is no exception. **There are no guarantees until you have signed the final closing documents and moved in to your home.** KulshanCLT advises all prospective homeowners to read this document carefully and to **meet** with our staff to discuss your situation and your homeownership options.

All steps in Phase I must be completed before an applicant is eligible to move to Phase II.

Phase I: THE APPLICATION PROCESS

- Determine your eligibility and willingness for commitment:** You are eligible if you meet the six criteria listed on page 4. Read through this entire information packet and application to determine your willingness to complete all steps, including taking a homebuyer education class and paying all fees.
- Attend a Homebuyer Education class:** KulshanCLT offers a 6-hour homebuyer education class (see www.KulshanCLT.org or call (360) 671-5600 ext. 109, for a class description and schedule). This class will give you the basic tools to move through the homebuying process with knowledge and comfort.
- Submit application and review with KulshanCLT staff:** Complete and submit an application (and all necessary documentation) with a membership fee (if you are not already a member) and an application fee. Applications are reviewed on a first-come, first-served basis.
- Mortgage pre-approval:** Meet with participating lenders (see the list at www.kulshanclt.org) to have pre-qualification conversations, decide which bank you will make application with, and receive pre-approval for a mortgage. You'll then submit a copy of the pre-approval letter from a participating lender.
- Receive and read the HomeBuyer's Manual:** This manual provides details on all of the steps toward homeownership and how the process with KulshanCLT is unique.

Phase II: PURCHASING A HOME

The steps toward purchasing your home will be unique depending on which of the paths you choose: to buy a KulshanCLT resale, to buy a new KulshanCLT home or search for a home on the open market.

Interested in a Resale or New Home?

In Phase II, you can proceed with a purchase contract on any available KulshanCLT resale or new home, facilitated by your own broker or by KulshanCLT staff. If you are working with a broker, please ask them to contact the HomeOwnership Coordinator first for a short training on how to work with KulshanCLT buyers and the specifics of certain properties.

Interested in Finding a Home on the Open Market?

There is a waitlist for the HomeBuyer Driven Program. Your name will be placed on the waitlist until it is your turn to "shop" for a home. In the meantime, you also have the option of buying a KulshanCLT resale or new home, if one becomes available that you would like to buy. When it is your turn to shop, we will schedule an orientation with you to outline the guidelines and the funding available. Depending on how long it has been

since you submitted your application and mortgage pre-approval, you may need to update these items prior to meeting with us. If you have questions at any time, please email Nikki Quinn at NikkiQuinn@KulshanCLT.org.

FEE SCHEDULE FOR PROSPECTIVE HOMEOWNERS

KulshanCLT Membership: \$10 per household

- Due at time of application, if not before.
- Good for one year.
- Non-refundable.
- *Supports KulshanCLT's operations.*

Application fee: \$45 per household

- Due with application to KulshanCLT.
- Non-refundable.
- *Supports staff time to process your application.*

Commitment fee: \$100 per household

- The timing of this fee varies depending on the path to homeownership, whether it's resale or homebuyer driven.
- *Supports project costs, and establishes committed relationship.*

Earnest Money Payment: \$500 - 1000 (roughly - depends on path)

- Total due when making an offer to buy a home.
- This is part of the purchase and sale contract, which is negotiable.
- *This payment will be credited toward the required \$2,500 downpayment.*

Home Inspection: \$300 - \$500

- KulshanCLT requires a full home inspection by an ASHI certified inspector.
- KulshanCLT will provide you with a list of certified home inspectors.
- This amount is *in addition* to your required \$2,500 down payment.

Mortgage Application Fees: \$450 - \$600

- To be determined by the mortgage bank.
- *This payment will be credited toward the required \$2,500 downpayment.*

Closing costs: A range between \$5,000 and \$9,000, depending on a variety of factors

- Closing cost are made up a combination of two categories of costs:
 - The first category is made up of prepaid housing costs - insurance premiums, principle and interest for the first month and property taxes.
 - The second category is made up of fees - escrow fees, title insurance, recording costs, appraisal fee, any points that you agreed to for a lower interest rate and others.

Ground Lease Fee or Affordability Covenant: \$45/month once you move into your home

- Due on a monthly basis (includes KulshanCLT membership).
- Paid to KulshanCLT before the fifth of each month.
- *Helps to defray the cost of administering the program.*

Also, please be aware of the other costs associated with moving in to your own home – the cost of actually moving, changing the locks, new window coverings and other items can really add up. Starting saving now and save as much as you can in anticipation of owning your own home!

Good luck. We look forward to working with you!