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

**HOMEOWNERSHIP OPPORTUNITIES
COMPLETE INFORMATION PACKET**

2020



KulshanCLT
a *community* land trust

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INTRODUCTION TO KULSHAN CLT

What is a Community Land Trust?

KulshanCLT is one of over 200 community land trusts in the nation today.

A Community Land Trust:

- provides access to land and housing to community members
- increases long-term community control of neighborhood resources,
- empowers residents through involvement and participation in the organization, and,
- Permanently preserves the affordability of housing.

Although the program specifics vary among CLTs, the basic model is the same. The CLT owns the land and leases it for a nominal fee to individuals who own the buildings on the land. This model 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 benefits from the stability of affordable owner-occupied homeownership.

What is KulshanCLT?

KulshanCLT is made up of over 350 community members. Our mission is to create healthy communities through stewardship of permanently affordable homes and homeownership opportunities.

HOMEOWNERSHIP OPPORTUNITIES

KulshanCLT has successfully assisted over 180 households achieve their homeownership dreams. There are two primary paths to homeownership:

- **HomeBuyer Driven Program** - Shop for a single-family home or condominium on the open market with downpayment assistance from KulshanCLT.
- **KulshanCLT Resale** – Current KulshanCLT homeowners notify us if they decide to sell their homes. Because the homes in KulshanCLT's portfolio remain affordable upon resale, purchasing a home from a current 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 for “gap funding” (also called “downpayment assistance”) for homes, offered on the conventional open market. If you qualify for a conventional mortgage, then, with the addition of gap funding” from KulshanCLT, you shop for a home. 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 according to the resale formula.

How does Permanent Affordability work with Condominiums?

Instead of KulshanCLT owning the land you sign a legally enforceable “affordability covenant”. This agreement states that if or when you choose to sell your condominium home you will do so according to the resale formula.

Owning a home (either single-family or condo) in partnership with KulshanCLT also means that you occupy your home as your primary residence, and you're responsible for maintaining and repairing the home.

KULSHANCLT RESALES

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

KulshanCLT homeowners enter into an agreement with KulshanCLT that states that if they want to sell their home they do 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. Check out our website, www.KulshanCLT.org for affordable resales.

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: 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.

Here is an *example* of the resale formula:

- KulshanCLT has **\$65,000** in gap funding available.
- Your household can afford a mortgage of **\$165,000**.
- You have enough cash available to pay the required **1% down payment OR \$2,500, whichever is greater** toward the closing costs of roughly **\$8,000**.
- You shop for a home that costs **\$224,500**.
- The “base price” is **\$159,500**. 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 then you decide to sell it. Your maximum formula resale price would be **\$176,247.50** (\$159,500 + 1.5% simple interest).
- If the interest rate on your mortgage is 4.00%, your equity, at the time of sale would be roughly **\$40,063.50**. This is made up of both the 1.5% formula increase (\$16,747.50) and the amount of your loan that you have paid off (\$23,316.00) 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 five criteria:

1. **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. Please note: If your household income is less than 50% AMI, there will be additional qualification requirements.

Income Table as of July 1, 2020

| Household size | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8+ |
|---------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <i>Income Limit</i> | <i>\$47,800</i> | <i>\$54,600</i> | <i>\$61,450</i> | <i>\$68,250</i> | <i>\$73,750</i> | <i>\$79,200</i> | <i>\$84,650</i> | <i>\$90,100</i> |

2. **Ability to get a mortgage:**

- **Credit Rating:** You must have a good credit rating with 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, and if necessary, create a plan to improve your credit or correct mistakes on your credit.

- **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 three years. 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 years.

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

3. **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. Assets that are not included are household possessions, cars, tools, IRS-designated retirement accounts, or pensions.
4. **First Time HomeBuyer:** 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. KulshanCLT staff can assess your situation when you submit your application.
5. **Capital Requirement:** You must be able to contribute at least \$2,500 for a down payment. Earnest money and appraisal deposits are included in the total contribution requirement. Inspections are not.

KULSHANCLT APPLICATION AND PURCHASE PROCESS CHECKLIST

All steps in the Application Process must be completed before an applicant is eligible to buy a home. Reasonable accommodations for people with disabilities will be provided upon request.

THE APPLICATION PROCESS

- Attend a Homebuyer Education class:** KulshanCLT offers a 6-hour homebuyer education class (see www.KulshanCLT.org or call (360) 671-5600 ext. 102, for more information). This class will give you the basic tools to move through the home buying process.
- 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-serve basis.
- Mortgage pre-approval:** Meet with a participating lender (see the list at www.kulshanclt.org) to get pre-qualified for a mortgage. Then submit a copy of the pre-approval letter from the participating lender.
- Read the HomeBuyer's Manual:** This manual provides details on all of the steps toward homeownership and how the process with KulshanCLT is unique.

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.

Resale or New Home?

You can proceed with a purchase contract on any available KulshanCLT resale or new home, facilitated by KulshanCLT staff.

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. 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.
- 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.*

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 actual cost of moving, changing the locks, new window coverings and other needed items.

Good luck. We look forward to working with you!