

Northeast Minnesota HOME Consortium Home Ownership Assistance Program Recapture Guidelines

1. Introduction

The Northeast Minnesota HOME Consortium has adopted recapture guidelines for the financial assistance provided to low- and moderate-income households (Borrower) through the Home Ownership Assistance Program (HOAP). These guidelines fulfill requirements of the Federal regulations described in 24 CFR 254 (a) (5) (ii).

2. Recapture Requirements: Homebuyer Assistance

- a. Subject to meeting the HOAP requirements, St. Louis County will provide, through the HOAP, to Borrower a Subsidy (the Subsidy) to assist with acquisition of real property (the Property). The Subsidy may include eligible costs for down payment and closing cost assistance provided to Borrower subject to the guidelines for the Northeast Minnesota HOME Consortium Home Ownership Assistance Program.
- b. Borrower will sign a Written Agreement and Mortgage payable to St. Louis County to acknowledge receipt of the Subsidy. The Mortgage is filed with the appropriate county recording authority as evidence of the lien on the Property.
- c. HOME Program Regulations at 24 CFR 254 require a minimum affordability period be imposed on the assisted property according to the following table:

Amount of HOME Assistance	Period of Affordability
Under \$15,000	5 Years
\$15,000 - \$40,000	10 Years
Over \$40,000	15 Years

HOME Program Regulations also permit HOME entitlement jurisdictions to impose longer periods of affordability based upon local program design. The affordability period for each written agreement will be in compliance with or greater than the minimum period established in this section and according to the following terms:

- i. If the Property or any interest in it is sold by the Borrower, and such sale occurs prior to expiration of the required affordability period, the Borrower will repay the Subsidy, without interest, on the date of sale. The Subsidy payoff will be calculated as follows:
- ii. The net proceeds of the sale will be determined. The net proceeds are defined as the selling price of the home less the Borrower's portion of the closing costs at sale less the loan repayment. Loan repayment is equal to the mortgage liens that are superior to the mortgage held by St. Louis County.

- iii. Borrower will be entitled to retain the first \$1,000.00 of the net proceeds. If sufficient net proceeds remain after the Borrower retains the \$1,000.00, St. Louis County will recapture the balance of the HOME Program Subsidy. Additional net proceeds available after repayment of the Subsidy will be applied to payment of liens subordinate to the Subsidy, if any, or retained by the Borrower.
 - iv. If the net proceeds applied to the Subsidy are insufficient to satisfy all or part of the Subsidy, the Subsidy will be considered paid, the Written Agreement and Mortgage will be satisfied, and all the affordability requirements of the HOAP and the federal HOME regulations at 24 CFR 92 will have been met.
- d. If the Written Agreement has not been paid pursuant to paragraph “c” above, the entire unpaid balance of the Subsidy will be forgiven at completion of the required affordability period. The Written Agreement and Mortgage will be satisfied, and all the affordability requirements of the HOAP and the federal HOME regulations at 24 CFR 92 will have been met.
 - e. The attached Recapture Worksheet will be used to calculate the Subsidy recapture amount due to St. Louis County.

3. Noncompliance Requirements: Homebuyer Assistance

If the Borrower fails to occupy the Property as their principal residence and homestead for the required affordability period, the full amount of the Subsidy will be due and payable.

Northeast Minnesota HOME Consortium Resale Guidelines

Introduction

The Northeast Minnesota HOME Consortium has adopted resale guidelines for the homebuyer housing units developed by One Roof Community Housing (One Roof). One Roof is both a certified Community Housing Development Organization (CHDO) of the Northeast Minnesota HOME Consortium and a Community Land Trust (CLT).

The County may award CHDO funding to One Roof to develop housing for resale to a HOME Program eligible homebuyer. One Roof uses CHDO funding to make the developed housing's purchase price affordable to the homebuyer. The CHDO funding may be used to pay development gaps, land costs and to provide affordability gap funds directly to the homebuyer.

One Roof sells the developed housing using the Community Land Trust model. In the CLT model, the homebuyer owns the improvements (house/buildings) on the land, and One Roof, as the CLT, owns the land underneath, which it leases to the homebuyer. One Roof retains ownership of the land to assure the housing is resold perpetually as affordable housing to low-income homebuyers.

The homebuyer obtains a first mortgage from a financial institution of their choice and also signs a HOME Program written agreement, the CLT Homebuyer Agreement, held by St. Louis County. The CLT Homebuyer Agreement contains the following required provisions:

- Subsequent sale of the housing to another low-income homebuyer.
- Occupancy of the housing as the homebuyer's principal place of residence.
- Resale of the housing at a price that provides the homebuyer a fair return.
- Future affordability of the housing to a reasonable range of low-income buyers.

The CLT model requires use of resale guidelines rather than recapture guidelines to fulfill requirements of the HOME Program Rule described in 24 CFR 92.254 (a) (5) (i). St. Louis County will review and approve the One Roof Land Lease document to assure its compliance with the HOME Program. The fair return calculation includes the original investment and capital improvements of the CLT Homebuyer.

The County defines "affordable to a reasonable range of low-income homebuyers" as a family whose income is between 50 to 80 percent (50% - 80%) of area median income for the county where the home is located. Affordable ratios for housing cost and debt to income are 31 and 43 percent (31% and 43%) respectively. Housing cost includes principal, interest, property taxes, and insurance. Variance to this definition may be allowed when the first mortgage lender allows higher ratios and provides St. Louis County with documentation for its funding approval.

Resale Requirements

1. One Roof must sign a Declaration of Covenants and Restrictions to impose the Northeast Minnesota HOME Consortium Resale Guidelines. The Declaration is filed with the appropriate county recording authority as evidence of the lien on the housing.
2. The homebuyer must sign a CLT Homebuyer Agreement payable to St. Louis County to acknowledge the Subsidy provided to the housing being purchased and to acknowledge understanding of the resale requirements. The Declaration of Covenants and Restrictions is an Exhibit to the CLT Homebuyer Agreement.
3. HOME Program Regulations at 24 CFR 92.254 require a minimum affordability period be imposed on the assisted housing according to the following table:

Amount of HOME Assistance	Period of Affordability
Under \$15,000	5 Years
\$15,000 - \$40,000	10 Years
Over \$40,000	15 Years

The total amount of the HOME funding provided to a housing unit will be considered the “Subsidy” in determining the period of affordability required to comply with the HOME Program Rule.

The affordability period for each written agreement will be in compliance with the minimum period established in this section and according to the following terms:

1. The CLT Homebuyer agrees to occupy the housing as the CLT Homebuyer’s principal residence and homestead for the minimum affordability period required in this section. The period of affordability starts on the date the CLT Homebuyer Agreement is signed.
2. If the housing or any interest in it is transferred by the CLT Homebuyer and such sale occurs within the required period of affordability, the CLT Homebuyer agrees to the following provisions:
 - a. Subsequent sale of the housing to another low-income family as defined by the HOME Program regulations who will occupy the housing as their principal residence.
 - b. Subsequent sale of the housing at a price that provides the CLT Homebuyer a fair return. The fair return calculation includes the original investment and capital improvements of the CLT Homebuyer.
 - c. Subsequent sale of the housing at a price affordable to a reasonable range of low-income homebuyers as defined by the Northeast Minnesota HOME Consortium Resale Guidelines.
3. Upon the CLT Homebuyer’s completion of the required affordability period in compliance with the HOME Program regulations, the Subsidy will be forgiven, the

Declaration of Covenants and Restrictions will be satisfied, and the affordability requirements of the CLT Homebuyer Agreement and the federal HOME regulations at 24 CFR 92 will have been met. The affordability period is calculated from the date the CLT Homebuyer Agreement is signed.

4. If the CLT Homebuyer ceases to occupy the housing as the CLT Homebuyer's principal residence and homestead for the required affordability period, the full amount of the Subsidy will be due and payable.
5. HOME Program affordability restrictions may terminate upon foreclosure, transfer in lieu of foreclosure, and assignment of FHA mortgage, in order to clear title.

The attached Resale Worksheet provides an example of the resale calculation listed in item 1. c. above.

Noncompliance Requirements

If the Borrower fails to occupy the Housing as their principal residence and homestead for the required affordability period, the full amount of the Subsidy will be due and payable.

Preservation of Affordable Housing

To preserve the affordability of HOME-assisted housing, St. Louis County may use additional HOME funds for the following costs:

1. The cost to acquire the housing through a purchase option, right of first refusal, or other preemptive right before foreclosure, or at the foreclosure sale.
2. The cost to undertake any necessary rehabilitation for the housing acquired.
3. The cost of owning/holding the housing pending resale to another homebuyer.
4. The cost to assist another homebuyer in purchasing the housing.

The additional investment will be treated as an amendment to the original HOME investment in determining the required affordability period.

Resale Price Calculation and Reasonable Return to the Homebuyer

The resale price will be equal to the homebuyer's base price, as stated below, plus 25% of the increase in market value of the housing and leased land, if any, plus 100% of the value of capital improvements (defined below), if any, calculated in the way described below.

Homebuyer's Base Price: The homebuyer's base price is established upon the date of closing. The base price is the subsidized price paid by the homebuyer including any first mortgage loan.

Initial Appraised Value: The appraised value of the housing and leased land (the "Initial Appraised Value") is documented by the appraiser's report completed at the time of purchase.

Increase in Market Value: The increase in market value of the housing and leased land equals the appraised value of the housing and leased land at time of sale, minus the Initial Appraised Value.

Homebuyer's share of Increase in Market Value: The homebuyer's share of the increase in the market value of the home and leased land equals twenty-five percent (25%) of the increase in market value as calculated above.

Value of Capital Improvements: The homebuyer's share of the value of any capital improvements, as determined by a duly licensed appraiser, equals one hundred percent (100%).

Summary of Formula Price: The resale price equals homebuyer's base price plus homebuyer's share of increase in market value, plus the value of the homebuyer's capital improvements.

Example:

Base Price:	\$125,000
Initial Appraised Value:	\$150,000
Current Appraised Value:	\$175,000
Increased Market Value:	\$25,000
Homebuyer's Share (25%):	\$6,250
Homebuyer Capital Improvements:	\$5,000
Resale Price:	$\$125,000 + 6,250 + 5,000 = \$136,250$
Return to Homebuyer:	\$136,250 less payoff of homebuyer liens and closing costs