

CHAMPLAIN HOUSING TRUST



HOMEOWNERSHIP CENTER

Shared Equity Program Informational Meeting

Date: _____

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History and Services

MISSION STATEMENT

The Champlain Housing Trust is a community land trust that supports strong, vital communities in northwest Vermont through the development and stewardship of permanently affordable homes and associated community assets.

CHT was formed in 2006 as the result of a merger between Burlington Community Land Trust and Lake Champlain Housing Development Corporation – both founded in 1984 by the City of Burlington as non-profit organizations to provide affordable, safe and decent housing.

CHT is the largest land trust in the country with nearly 6,000 members, a portfolio of over 560 shared equity homes, over 1,500 apartments that are affordable and 2 offices – in Burlington and St. Albans -- serving Chittenden, Franklin and Grand Isle counties. In addition to providing affordable housing, we offer homebuyer education, financial fitness and credit counseling, affordable homeowner loans, and connect people to services such as HowardCenter or Spectrum Youth to help them succeed.

Champlain Housing Trust Activities:

- Housing development
- Property management
- Shared Equity Program
- Homebuyer education and counseling
- Home loan fund
- Housing co-op technical support

Shared Equity Homeownership Key Features:

- Limited to low-to-moderate income households (must earn below the median income for the county to qualify)
- No down payment necessary due to CHT Investment
- Restrictions at resale
- Owner-occupied housing
- CHT has the first option to purchase at resale
- At resale the home is offered to another income eligible household
- Affordability is preserved through a ground lease for single family homes and through a hous-

Benefits of Purchasing through CHT

- Provides housing security
- Preserves affordability and community wealth
- Increases affordability
- Usually no Private Mortgage Insurance payments
- No realtor commission fees when selling
- Mortgage interest deduction on taxes
- Reduced tax assessed values for equitable taxation

Shared Equity Homeownership Tradeoffs

- Must sell back to CHT
- Retain only 25% of appreciation in property
- Has to be owner-occupied



Increase Your Purchasing Power

EXAMPLE: a household of four with an income of \$47,840 (two people working full-time who each earn \$11.50 per hour).

Buying without CHT:		Buying with CHT:
\$47,840	Annual Family Income	\$47,840
1,195 (30%)	Monthly Housing Expense	1,195 (30%)
	<u>Housing Costs</u>	
250	Property Taxes*	175
50	Homeowner's Insurance	50
0	CHT Lease fee	35
<u>75</u>	Private Mortgage Insurance**	<u>0</u>
820	Amount Available for Mortgage Payment	935
4.5%	Mortgage Interest Rate (Varies based on loan product)	4.5%
\$161,836	Amount of Mortgage	\$184,532
0	Plus CHT Shared Equity Program Investment***	40,000
\$161,836	Can afford a house worth	\$224,532

**\$62,696 increase in
purchasing power**

* CHT homeowner's receive a 30% to 40% discount on property taxes

** Due to the fact that many investments are 20% of the purchase price, most CHT buyers pay no PMI; however this is not guaranteed.

*** CHT investments can range from \$25,000 to more than \$100,000+ depending on the property.



If I buy with the CHT, what can I sell my home for?

At Purchase

\$200,000	Original Market Value
<u>-\$40,000</u>	<u>CHT Investment</u>
\$160,000	Buyer's Price

At Resale

\$230,000	New Appraised Value
<u>-200,000</u>	<u>Original Appraised Value</u>
\$30,000	Total Market Appreciation
<u>X 25%</u>	<u>Your Share</u>
\$7,500	Your Share of Appreciation

Your Sale Price

\$200,000	Original Market Value of Home
<u>-\$40,000</u>	<u>CHT Investment</u>
\$160,000	Your original price
<u>\$7,500</u>	<u>Your Share of Appreciation</u>
\$167,500	What you sell for to CHT

What You Make on the Sale

\$167,500	Your Sale Price for the Home
<u>-\$139,240</u>	<u>What you owe the Bank</u>
	Your Proceeds
\$28,260	(appreciation plus mortgage principal reduction)

This is just an example. Some formulas may vary. You cannot assume a property will always appreciate. The amount of principal you owe on your mortgage depends on how long you have owned the property, your interest rate and whether or not you make any extra principal payments. This example is based on 84 months of repayment on a 4.5% 30-year loan with no extra principal payments.



Capital Improvement

What happens if I make improvements to a CHT home?

If you are interested in making improvements to your CHT home, you may be eligible to receive a Capital Improvement Credit. Capital Improvement Credits are how CHT recognizes improvements that go above and beyond general maintenance and upkeep of your home. This means Capital Improvement Credits are NOT granted for repairs or normal replacement of items.

Do I need to check with CHT first?

For small improvements in your CHT home, it is not necessary to check with us before doing the work. However, to protect the future marketability of the home CHT will need to approve any large improvements (ex. one that requires a permit).

Examples:

IS a Capital Improvement	Is NOT a Capital Improvement
<ul style="list-style-type: none"> - Replacing wall to wall carpet with hardwood floors - Adding a new garage to a home - Finishing the basement - Completely remodeling a kitchen - Adding a fireplace - Putting on a deck - Adding a bedroom or bathroom 	<ul style="list-style-type: none"> - Replacing wall to wall carpet with new carpet - Replacing an existing garage door - A fresh coat of paint - Replacing appliances - Repairing/replacing a existing heating system - Replacing windows - Replacing wiring or plumbing

How do I get the credit?

CHT can give you 100% credit for the added market value of the improvement. This does not mean you will receive a dollar for dollar match to what you spent. For example, if you replaced a carpeted room with hard wood flooring for \$1,000 but the improvement added \$5,000 of value to the home, you would receive the \$5,000. However, if you spent \$5,000 on new hard wood flooring but the home only went up in value \$1,000 due to that improvement, you would receive the \$1,000. This credit is only available when you sell the home. You will still receive your 25% share of any general market appreciation. **If your property depreciates, you will not receive any capital improvement credit.**

How is the credit determined?

We recommend you keep a list of improvements you have done to your CHT home (even take before and after pictures if you like). When you decide to sell your home, CHT will get a new appraisal. At that point, the appraiser will isolate the added value of all of your improvements based on your list.



Frequently Asked Questions

What happens if my property depreciates?

There are no guarantees that a home you purchase will go up in value. While homeowners receive 25% of any increase in the value of their home, they are responsible for 100% of any decrease. The reason for this is that it is only in this manner that CHT can maintain the affordability of the home for future homeowners. In general, the longer a homeowner owns their home, the greater the chance that the home will go up in value.

What is the ownership relationship when I purchase a CHT single family home or condo?

With most single family houses, CHT owns the land under the house and the homeowner owns the house on the land. The homeowner leases the land from CHT. This helps ensure that the home will remain affordable for current and future homeowners. This arrangement is secured with a ground lease.

When a homebuyer buys a CHT condo, they maintain 100% ownership of the property. The condo owner will sign a CHT covenant when they purchase to ensure the continued affordability of the property.

What happens if I would like to refinance my mortgage?

Talk to CHT first! CHT will need to ensure that the loan is with an approved lender, at reasonable terms that are affordable to you, and that the amount of the new loan is less than the price at which CHT would buy your home. In addition we will need to draft certain legal documents and possibly get the approval of our funders. This process generally takes 2-4 weeks. CHT charges a \$225 fee for processing a refinancing request and homeowners are also responsible for paying the attorney fees that CHT incurs which are usually \$600 - \$1,000.



Disclosure of Fees

For Single Family Homes:

Transaction Fee (\$1,200): When you purchase a home from CHT, we charge a one time \$1,200 transaction fee that is due at closing. This covers a portion of the costs that CHT incurs in the process from contract to closing.

Ground Lease Fee (\$35/month): When you purchase a single family home with land from CHT, you have ownership of the improvements on the land (house, garage, shed, etc) but CHT keeps ownership of the land under the improvements. The Ground Lease Fee of \$35 per month helps to sustain CHT's ability to help our members by supporting salaries and overhead. As a CHT homeowner you have access to the counselors at CHT for any help that you might need through your time in the CHT home, including budgeting, refinancing, etc.

Property Taxes (varies): Because CHT has ownership of the land, the property tax bill comes to the CHT office instead of to the homeowner. The tax bill for the improvements on the land will come directly to the homeowner, which then should be forwarded to their lender if they escrow their taxes. The homeowner is responsible for all the property taxes and CHT will bill the homeowner monthly for the actual cost of the property taxes on the land.

For Condominiums:

Transaction Fee (\$1,200): When you purchase a condo from CHT, we charge a one time \$1,200 transaction fee that is due at closing. This covers a portion of the costs that CHT incurs in the process from contract to closing.

Condo Membership Fee (\$35/month): The Condo Membership Fee of \$35 per month helps to sustain CHT's ability to help our members by supporting salaries and overhead. As a CHT homeowner you have access to the counselors at CHT for any help that you might need through your time in the CHT home, including budgeting, refinancing, etc.



Income Requirements for Purchasing

In order to purchase **most CHT homes**, *you must have an annual income that falls below the maximum amounts listed below:*

Household Size	Maximum Income
1	\$57,400
2	\$65,600
3	\$73,800
4	\$81,900
5	\$88,500
6	\$95,100

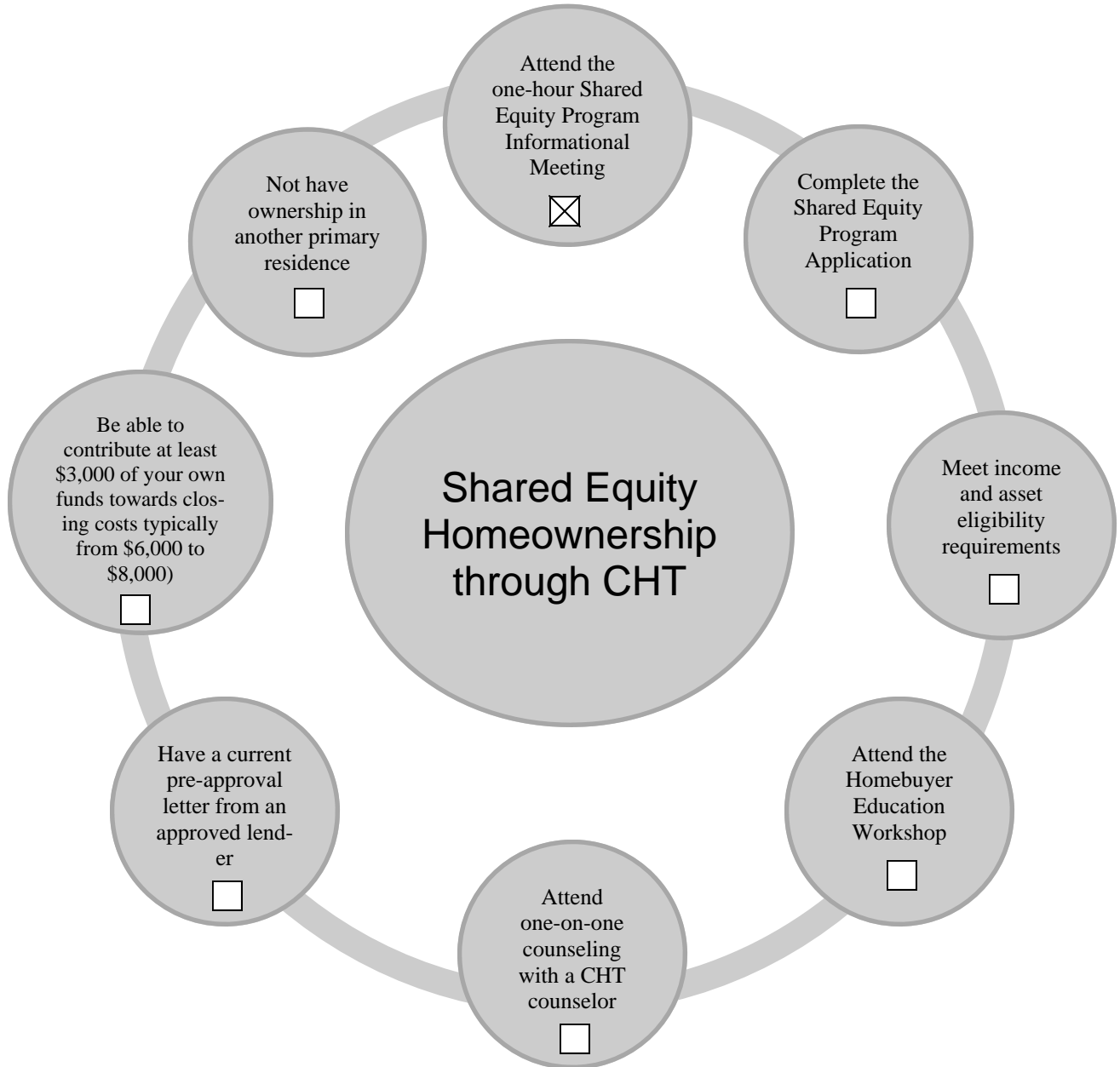
If you think your annual income is over these amounts, CHT encourages you apply for the Shared Equity Program because you may still qualify.

The income requirements to purchase some CHT homes are stricter. The listing sheets for these properties and CHT's website will list the income limits.

CHT also sells a few market rate properties as well. There are no income requirements for these properties. Let us know your interest for more information on market rate opportunities.



Eligibility Criteria



These eligibility criteria do not need to be met in any order; however, all must be met before a prospective buyer can close on a home.

For more information, please contact the Homeownership Center at 802.862.6244, or visit us online at <http://www.getahome.org>



How To Purchase

- **Resales** - CHT has over 560 properties in its portfolio. Resales are the sale of a property which is already in the CHT's portfolio. When our current homeowners want to sell, we help to find another income-eligible buyer.
- **New Construction** - Sometimes CHT develops new construction housing and provide an investment to make those purchases more affordable. Investment amounts can vary depending on the property
- **Buyer Driven** - Some years, CHT receives funding that allows CHT to invest in new homes. Eligible buyers can purchase CHT approved homes of their choosing on the open market and bring them into the CHT portfolio. Availability is dependent on funding.

Where do I look for these houses?

The Champlain Housing Trust's (CHT) Shared Equity Program posts information on their website (www.getahome.org) immediately after a home becomes available for marketing and sends out email notifications prior to any open houses (customers may subscribe on our website under "Join Our Email List").

What happens when I find one I like?

For each home, there will be an initial showing period including an open house. During this period, showings will be conducted with any interested homebuyers and CHT staff will keep a list of all customers expressing serious interest. If at the end of the period there is only one eligible customer interested in the property, that customer will automatically have the option to purchase the home.

If more than one eligible customer is interested in the property, the attached *selection criteria* will be applied to determine the order in which customers will be given the option to purchase the property. CHT staff will contact all interested homebuyers within one week to let them know the results.



Selection Process

To be included in the selection, you must:

- Have a *complete, up-to-date* application on file
- Have a Pre-Approval Letter from a CHT lender (see resource list) from the past 60 days

Selection Criteria:

- 1. Lowest percent of median income** -1 point
 - The household that has the lowest percent of median income based on household size will receive one point. The household's ratio of housing costs to gross income has to be 35% or lower to qualify for this point.
- 2. Credit score above 720** -1 point
 - All households with credit scores above 720 will receive one point. Middle scores for both co-applicants must be above 720.
- 3. Number of bedrooms matches household size** -1½ or 2 points
 - If the number of bedrooms matches the size of the household, the applicants will receive 2 points, and if home size is only one bedroom over the needed number - the household will receive 1 ½ points. This assumes one and a half people per bedroom.
- 4. The applicant has a disability that requires the features of the property** -1 point
 - If at least one member of the household has a disability and needs the features of the property (for example, 1st floor flat for a person with a mobility impairment), the household will receive one point.
- 5. Current Champlain Housing Trust tenant or homeowner** -1 point
 - All current CHT renters or homeowners in good standing will receive one point.
- 6. Risk of displacement** -½ point
 - Applicants will receive ½ point if they are at risk of displacement through no fault of their own, through condemnation or sale of property.
- 7. Actively seeking CHT properties for at least six months** -½, 1 or 1½ points
 - Any household that has been actively seeking to purchase a CHT property will receive: ½ point for every six months (cap of 1½ points) from the time the Shared Equity Program application was submitted.

The household with the highest points will be selected as the buyer. In the event of a tie, the property will be offered to the household with the lowest median income based on

*** If there are no interested homebuyers at the end of the initial showing period, then no selection takes place, and the property will become available on a first-come, first-serve basis.**

Champlain Housing Trust applies Fair Housing standards to all programs and services. For more information about Fair Housing including identifying the protected categories please ask us for the CVOEO Fair Housing Project Booklet.



Next Steps

- If you think you will be ready to buy within the next six months, meet with a lender to be pre-approved. Submit a copy of your pre-approval letter and a complete Shared Equity Program application to a Champlain Housing Trust staff member.

When submitting a Shared Equity Program application please be sure to include ALL necessary supporting documents (listed on page 3).

- Check the “Available Homes” page on our website, www.getahome.org, at least weekly and sign up for our email list. Go see any and all properties that interest you. There may be a selection process for some homes that are new to the market.
- If you are selected as the buyer for a property, you will come in and sign a Purchase and Sale contract with CHT. **You will need to put a \$2,000 deposit down when you sign the contract** (You can make checks payable to CHT). We will set a tentative closing date, usually about 6-8 weeks out.
- If you are purchasing a condo, make sure you get copies of the condominium documents (bylaws, budgets, etc.) from CHT.
- Apply for a mortgage with your lender. Give your lender a copy of the contract as soon as possible.
- Select an attorney to conduct a title search and represent you at the closing. Get a copy of the contract to the attorney as soon as possible.
- Schedule a home inspection. A CHT staff member needs to attend the inspection, so be sure to contact us regarding our availability.
- Call an insurance agent to get a quote on homeowner’s insurance. Set up your insurance and have CHT listed as “additionally insured” on your policy and VHCBC listed as “loss payee.” Provide a copy of insurance binder to CHT at or before closing.
- Approximately one week prior to closing you will come in for a “Legal Documents” meeting, to go over the documents you will be signing at the



Lands in Trust, Homes That Last

A Performance Evaluation of the Champlain Housing Trust

John Emmeus Davis
Alice Stokes

EXECUTIVE SUMMARY

Between 1984 and 2008, the Champlain Housing Trust (formerly the Burlington Community Land Trust, or BCLT) developed 424 modestly-priced single-family houses and condominiums. All of these homes were sold to homebuyers subject to durable contractual controls over their occupancy, use, and resale; controls designed to maintain the homes' availability and affordability for low-income households for many years. The first resale of a CHT home occurred in 1988. By the end of June 2008, CHT had overseen the resale of 205 houses and condominiums.

This pool of resales provided a rare opportunity to evaluate the performance of an unconventional model of tenure that promises to secure the benefits of homeownership for persons of modest means, while also achieving larger social goals like the preservation of affordability, the stewardship of public resources, and the stabilization of residential neighborhoods. While such claims are common to all community land trusts, most of the nation's CLTs are too new and too small to have had many resales. There has been little way to gauge how effective they have been, therefore, in doing what they promise to do.

The Champlain Housing Trust, by contrast, has been around since 1984. It has built a sizable portfolio of resale-restricted, owner-occupied housing and has had a significant number of resales. In 2003, the Burlington Community Land Trust used data derived from these

resales to undertake a systematic assessment of how well its innovative approach to homeownership had performed over the previous nineteen years. Six years later, on the organization's twenty-fifth anniversary, the Champlain Housing Trust has refined and updated this ground-breaking evaluation, incorporating data from more recent resales.

The present evaluation, like the earlier one, examines how effective CHT has been in reliably delivering – and equitably balancing – two sets of benefits, some accruing primarily to the homeowners served by CHT (individual benefits) and some accruing primarily to society as a whole (community benefits). The study's principal findings are as follows:

- ✓ **Expanding homeownership.** Access to homeownership for persons excluded from the market was expanded. All of the households served by CHT earned less than 100% of Area Median Income (AMI). Most earned considerably less. The average household served by CHT on the initial sale of a house or condominium earned 69.4% of AMI. The average household served by CHT on the resale of these same homes earned 68.6% of AMI.
- ✓ **Creating individual wealth.** When reselling their homes, most CHT homeowners walked away with more wealth than they had possessed when first buying the home. Although less than they might have realized from the resale of an unrestricted, market-rate home in an

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appreciating market (assuming they been able to buy such a home), CHT's homeowners still earned a very respectable return on their investment. The average CHT homeowner, reselling after five-and-a-half years, recouped her original downpayment of \$2,300 and received a net gain in equity of nearly \$12,000. Homeowners who made capital improvements in their homes received even more.

- ✓ **Enabling residential mobility.** Households who left CHT did so for similar reasons and with similar success as homeowners buying and selling on the open market. One hundred eighteen of CHT's homeowners bought unrestricted, market-rate homes after reselling their CHT home; ten bought another resale-restricted CHT home; forty-two became tenants, sometimes renting from CHT; and five died. The subsequent housing situations of another thirty households could not be determined, primarily because they had left the state. Among CHT homeowners whose subsequent housing situations were known, 67.4% of them bought market-rate homes within six months of leaving CHT; another 5.7% traded their first resale-restricted home for another, choosing to remain within CHT.
- ✓ **Preserving affordability.** Affordability not only continued between successive generations of low-income homebuyers, but improved – even when the favorable effect of falling mortgage interest rates was removed. The average CHT home was affordable to a household earning 56.6% of AMI on initial sale. On resale, it was affordable to a household earning 53.4% of AMI – a 5.65% gain in affordability.
- ✓ **Retaining community wealth.** Public subsidies invested in CHT's houses and condominiums remained in the homes at resale, underwriting their affordability for subsequent generations of lower-income homebuyers. An initial public investment of \$2,172,207 in those homes that resold one or more times allowed CHT to bring homeownership within the reach of 357 lower-income households. Had these subsidies not been retained in the homes, allowing their owners to pocket both the public's investment and all capital gains when reselling, the size of the public's investment needed to serve the

same number of households at the same level of income as CHT had served would have been five times greater.

- ✓ **Enhancing residential stability.** Lands and homes placed under the stewardship of CHT were seldom removed from its portfolio. Occupancy, use, and resale controls remained in place for 96.7% of the 424 units of owner-occupied housing developed by CHT between 1984 and 2008. Only 14 homes were released to the market. Foreclosures remained a rare event, even as the mortgage meltdown in the rest of the United States approached the point of crisis. Over its twenty-five year history, CHT has had only nine foreclosures. No lands or homes have ever been lost from CHT's portfolio because of foreclosure.

The Champlain Housing Trust, for most of its existence, has operated in a housing market with rising prices, a growing demand for modestly-priced housing, and a chronic shortage of houses and condominiums within the financial reach of persons earning less than 80% of AMI. Only recently has the local homeownership market experienced a decline in prices, but with little effect on the "affordability gap" that has long existed between the average cost of housing and the average income of the households hoping to buy that housing. CHT, on the other hand, has had considerable success in closing that gap, not only on the initial sale of a house or condominium but also on its eventual resale.

The performance of CHT's portfolio of resale-restricted, owner-occupied housing provides encouraging evidence that it is possible to promote the legitimate interests of first-time homebuyers, without sacrificing the legitimate interests of the larger community. In Burlington, Vermont for twenty-five years, the Champlain Housing Trust has been doing what it promised to do.

For more information, please contact either John Davis at (802) 651-0730 or Brenda Torpy and Emily Higgins from the Champlain Housing Trust at (802) 862-6244.