



CASS CLAY COMMUNITY LAND TRUST HOMEBUYER SELECTION POLICIES & PROCEDURES

I. OVERVIEW

This policy is intended to guide both general and project-specific homebuyer selection procedures administered by the Cass Clay Community Land Trust (CCCLT). This policy shall be reviewed at least annually by the CCCLT Board of Directors for effectiveness in guiding the CCCLT in the pursuit of its mission.

II. GOALS

The goals of the CCCLT these policies are intended to support are:

- a) To provide as wide a range of opportunities as possible for low-income [and moderate-income] income people to secure housing that is decent, safe, and affordable.
- b) To ensure the preservation of the quality and affordability of housing for future low-income [and moderate-income] residents of the community.

III. SELECTION CRITERIA

A. THRESHHOLD SELECTION CRITERIA

The following criteria reflect the CCCLT's goal to reasonably match household need to the availability of CCCLT's affordable homes – and to do so in a manner that meets all federal Fair Housing requirements. [Note: some funding sources which the CCCLT may rely on to develop its housing opportunities establish maximum eligible incomes of between 50% to 80% of the area median. See Appendix 3 for CCCLT's "Resource Allocation Policy"]

1. Citizen of USA or registered alien.
2. Income Eligibility –Maximum Income: To be considered for selection, a household must have an annual income which does not exceed one hundred twenty percent (120%) of the median income of households of equal size residing in the statistical area (as defined by the U.S. Department of Housing and Urban Development or its successor agency) within which the housing unit is located. There are, however, three exceptions that will be considered: (a) Households at any income level who wish to place land which they own in the CCCLT; (b); Households who wish to undertake a sale-leaseback arrangement with the CCCLT; or (c) Households who agree to be bound by the CCCLT's resale restrictions.
3. Creditworthiness: In all cases, a household must be able to demonstrate a sense of ownership of its financial obligations, and a history of responsible effort to meet them. The household, must be "pre-qualified" through the CCCLT's application process to determine whether mortgage

financing is likely to be obtained by the household based on the applicant's available cash resources and the known requirements of various mortgage programs for which the household may be eligible.

- Credit Score: The applicant must have an average combined credit score within 20 points of the current Fannie Mae and Freddie Mac credit requirements.
- Minimum Income: To be considered for CCCLT's homeownership opportunities, a household's monthly income, when multiplied by the appropriate debt-to-income ratio, must be sufficient to support the housing costs for the housing opportunity in question. In general, households that require a co-signer in order to obtain a mortgage will not be considered.
- Affordability - (i.e. matching household income to housing cost). In general, affordability means the monthly cost of occupying a particular home does not exceed thirty percent (30%) of monthly gross household income and monthly housing costs and total debt payments do not exceed forty percent (40%) of monthly gross household income.
- Assets -To be considered for CCCLT's homeownership opportunities, a review of a household's financial resources and circumstances should clearly indicate a limited ability to compete successfully in the conventional housing market. Accordingly, applicants with more than \$20,000 of liquid assets available after the purchase of a home are ineligible. Additionally, applicants are also required to provide \$1,000 toward the home purchase, from the buyers own funds.

B. SELECTION PROCESS

The following circumstances, not necessarily in order of priority or importance, will be considered in those instances when there are two or more households expressing interest in a particular unit and who meet the Threshold Eligibility Criteria outlined above.

1. Residency: Residents of the community within which the housing unit is located, residents of the county, and residents of the state - in this order. Length of residency will be considered.
2. Heirs. If "heir property" is sold to the CCCLT, any heir of the former owner(s) that meets the Threshold Eligibility Criteria outlined above, and who has properly filed a CLT homeownership application will be given special consideration.
3. Need: In general, the CCCLT will give consideration to the lower-income household. The CCCLT will give special consideration to households facing immediate or near-term displacement, especially if children are involved.

5. Application on File. Length of time which a household's application for home ownership has been on file.
6. Cass Clay Community Land Trust Membership: The Cass Clay Community Land Trust wishes to link with other resale restricted housing organizations in other communities to provide the same kind of mobility within the "resale-restricted" housing market as exists in the unrestricted housing marketplace. In other words, CCCLT desires to enable CLT homeowners to convert their "limited" equity stake in one community into another such home ownership option in another community. Thus, length of membership in the CCCLT, length of membership in other CLT's, in this order, will be considered. Involvement in the CCCLT's operation and general activities will also be considered.
7. First-time homebuyers. Defined as someone who has not owned a principal residence in the past three years; or a single parent who may have owned a home with a former spouse in the past three years but now no longer resides there.
8. Appropriate Size - (i.e. matching household size to unit size). In general, households consisting of the number of persons appropriate for the unit size will be given preference as follows:

Unit Size	Household Size
0 – BR	1 person
1 – BR	1-2 persons
2 – BR	1-3 persons
3 – BR	3-5 persons
4 – BR	4-6 persons
5 - BR	5-7persons

9. First come, first served.

IV. APPLICATION PROCESS

While this process is not necessarily sequential in nature, each component of the process is essential to ensure that each of the CCCLT's prospective home buyers is fully informed as to the fundamental details and atypical nature of the CCCLT's real estate transaction (i.e., involving a leasehold interest in the land and restrictions imbedded in the ground lease agreement on the resale of the improvements located on the leased premises.)

A. OUTREACH & MARKETING. Applicant responds to project specific marketing or general community outreach by contacting CC Community Land Trust for project specific or general information.

B. APPLICATION REVIEW. Applicant is provided with an application form to complete and return to CCCLT staff. Assistance with filling out application will be provided by staff on an as-needed basis. Application is reviewed by staff in comparison to established threshold and secondary criteria. Staff determines whether applicant is likely to qualify for currently available housing units (or for the general waiting list, as the case may be).

C. INFORMATION/ORIENTATION SESSION. Applicant is advised of the next periodically scheduled CCCLT information/orientation session. Attendance at one or more of these sessions is required.

D. HOME BUYER TRAINING. Applicant is directed to periodically scheduled sessions conducted by an approved certified course. Applicant is advised to meet with local lender for a mortgage "pre-qualification" session to determine whether applicant is likely to obtain mortgage financing approval.

E. PRELIMINARY APPROVAL / DENIAL. Following mortgage pre-qualification and verifications, CCCLT Board of Directors may preliminarily approve or deny an application. Qualified individuals/households will be so notified and placed on a waiting list to participate in the selection process for particular housing opportunities, as they become available. Applicants that do not meet application criteria will be so notified in writing. Staff or Selection Committee may provide tips or advise on how the applicant may improve financial or other obstacles to a successful application.

F. SELECTION PROCESS. The selection process for each housing opportunity may vary depending on the number of eligible and qualified persons on the waiting list relative to the number of housing opportunities available at a particular time. In general, the selection process will be conducted according to the steps outlined in Section V below.

G. PURCHASE AND SALES CONTRACT / FORMAL MORTGAGE APPLICATION / ADVANCED ORIENTATION SESSION. The applicant and the CCCLT sign a purchase and sale agreement. Applicant applies for mortgage financing. A detailed review of the CCCLT Lease and other legal documents associated with a particular transaction is scheduled with applicant.

H. MORTGAGE APPLICATION PROCESSING AND CLOSING Applicant moves through the mortgage application and approval process.

I. INDEPENDENT LEGAL REVIEW. Applicant must retain, at applicant's expense (CCCLT will pay up to \$300 for legal review of the ground lease), an attorney who reviews all the CCCLT legal documents on behalf of applicant and who provides independent advice and counsel regarding the transaction.

V. SELECTION PROCESS

A. WHO MAKES THE DECISION?

1. Regarding Threshold Eligibility Criteria –
 - a. CCCLT Staff – CCCLT staff shall make a recommendation to the Selection Committee and/or Board of Directors in a form acceptable to the Board regarding whether an application will be placed in the qualified applicant pool.
 - b. Board of Directors -The Board of Directors will have final say as to whether an applicant meets the threshold criteria outlined herein.
2. Regarding Credit Risk and Overall Creditworthiness –
 - a. The mortgage underwriting guidelines of the lending programs available to the CCCLT's qualified home buyers shall be the deciding factors regarding credit risk and the overall creditworthiness of a particular applicant

B. HOW IS DECISION MADE?

1. Regarding Threshold Eligibility Criteria –
Using the definitions found in Appendix 1 and considering the resource allocation policy in Appendix 3, staff will review both project-specific applications and general interest applications to determine whether the Threshold Criteria outlined above have been met. Applicants to be selected will come from among those who meet all of the Threshold Eligibility Criteria.

2. Regarding Secondary Selection Considerations -
 - a. The Selection Committee may, at its discretion, and on a case-by-case basis, elect to either rank the Secondary Eligibility Criteria, or conduct a lottery among those eligible and qualified applicant households meeting one or more of the Secondary Selection Criteria
 - b. Staff will provide to the Selection Committee a summary of its findings along with each applicant's application.

APPENDIX 1 -DEFINITIONS

The CCCLT has adopted the following definitions for the purposes of assessing affordability and monitoring its ability to achieve its goals.

"Affordable" means that the monthly occupancy Cost of a particular housing unit generally does not exceed 30% of household income. (See discussion of Housing Costs, defined below, for exceptions regarding single-family ownership housing.)

"Debt-to-Income Ratio" (DTI) means the maximum percentage of income which a particular lender will allow a household to spend on Housing Costs.

"Household" means a person, or group of persons who occupy the same housing unit as their primary residence.

"Median Income" shall be as set forth in regulations promulgated from time to time by the United States Department of Housing and Urban Development (HUD) pursuant to 42 U.S.C. Sec. 1437 et seq.

"Moderate-Income" shall mean a household whose combined gross annual income, adjusted for Household Size (defined below), does not exceed 100% of the Median Income for the Statistical Area within which the housing is located as defined by HUD or a successor agency.

"Low-Income" shall mean a household whose combined gross annual income, Adjusted for Household Size, does not exceed 80% of the Median Income for households of that size residing in the Statistical Area within which the housing is located.

"Very Low-Income" shall mean a household whose combined gross annual income, Adjusted for Household Size, does not exceed 50% of the Median Income for households of that size residing in the Statistical Area within which the housing is located

"Statistical Area(s)" shall be as set forth in regulations promulgated from time to time by the United States Department of Housing and Urban Development (HUD) pursuant to 42 U.S.C. Sec. 1437 et seq.

"Housing Cost": shall mean:

1. When measuring the affordability to a known household of a known unit size for single-family homeownership, the sum of the monthly payments due on
 - a. the mortgage (principal & interest); plus
 - b. the property taxes due on the property; plus
 - c. the hazard insurance policy; plus
 - d. the Ground Lease Fee.

[NOTE: The debt-to-income ratios dictated by the underwriting guidelines for a particular mortgage program shall be controlling for the purpose of determining the maximum percentage of income allocable to these monthly Housing Costs.]

2. When calculating the affordability of projected occupancy costs for a particular home, i.e., to determine or establish a purchase price, the CCCLT will make the following calculations:
 - a. The controlling Debt-to-Income Ratio for households of the appropriate size will be determined. Housing Debt-to-Income Ratio is 30% and Total Debt-to-Income Ratio is 40%.
 - b. Prevailing property tax assessments and insurance rates for

comparable properties will be examined and deducted from the controlling percentage of income allocable to occupancy costs in order to determine the amount of household income remaining to make a mortgage payment.

c. Prevailing loan terms and interest rates of the State's Mortgage Revenues Bonding Authority (usually the state housing finance agency) will be used to calculate the maximum mortgage amount which could be amortized by a payment of this size.

The amount resulting from these calculations will be the maximum purchase price considered to be affordable to the desired household income level.

APPENDIX 2 -HOME BUYER / LEASEHOLDER APPLICATION

Attach

APPENDIX 3- RESOURCE ALLOCATION POLICY

A majority of the CCCLT's resources will be dedicated to benefit households earning at or below 120% of the median income (adjusted for household size in _____ – see attached chart) to the extent such allocation is not inconsistent with conditions or restrictions placed on the use of such financing by those providing the financing.

APPENDIX 4 - Current AREA MEDIAN INCOMES BY HOUSEHOLD SIZE (U.S. Department of Housing and Urban Development)

Persons in Family							
FY 2020 income limit	1	2	3	4	5	6	7
Very Low Income (50%)	31,300	35,800	40,250	44,700	48,300	51,900	55,450
Low Income (80%)	50,050	57,200	64,350	71,500	77,250	82,950	88,700
Moderate Income (100%)	62,562	71,500	80,438	89,400	96,563	103,688	110,875