



# SITKA COMMUNITY LAND TRUST

## HOME BUYER SELECTION POLICIES & PROCEDURES

### I. OVERVIEW

This policy paper is intended to guide the development and implementation of both general and project-specific homebuyer selection procedures administered by the Sitka Community Land Trust (SCLT). This policy shall be reviewed from time to time by the Selection Committee for effectiveness in guiding the SCLT in the pursuit of its mission: the SCLT creates lasting affordable home ownership opportunities for people of low and moderate income in Sitka. This policy may be amended by a majority of the Board.

### II. GOALS

The goals of the SCLT that these policies are intended to support are:

- acquire land and buildings
- develop land in an environmentally and socially responsible manner
- construct or renovate buildings that are healthy, durable and energy efficient
- educate and counsel homebuyers and rental tenants
- steward what it creates for current and future generations
- and may operate for-profit business(es) to support organizational sustainability.

### III. SELECTION CRITERIA

#### A. THRESHOLD SELECTION CRITERIA

The following criteria reflect the SCLT's goal to reasonably match household size to unit size and household income to housing costs. [Note: some funding sources which the SCLT may rely on to develop its housing opportunities establish maximum eligible incomes of between 80% to 120% of the area median income.]

1. Majority Age - must be 18 in Alaska to qualify for a mortgage.
2. Citizen of USA or registered alien
3. Income Eligibility -

Maximum Income: To be considered for selection, a household must have an annual income which does not exceed 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.

4. 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 SCLT'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.

- a) Minimum Income: To be considered for SCLT 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 cosigner in order to obtain a mortgage will not be considered.

(1) Affordability - (i.e. matching household income to housing cost). In general, affordable means that the monthly cost of occupying a particular housing unit does not exceed 28% - 36% of monthly household income, depending on the applicable lender's guidelines.

(2) Assets - To be considered for SCLT 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 in Sitka.

## **B. SECONDARY SELECTION CRITERIA**

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. Community involvement: Residents having demonstrated involvement with and commitment to the community as evidenced by organizational memberships and/or participation in, support for, or sponsorship of non-profit, church or civic groups/events, etc.
2. Heirs. If "heir property" is sold to the SCLT, 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 SCLT will give consideration to the lower-income household. The SCLT will give special consideration to households facing immediate or near-term displacement, especially if children are involved.
4. Application on File. Length of time which a household's application for homeownership has been on file.
5. Community Land Trust Homeownership: The SCLT 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, SCLT desires to enable SCLT homeowners to convert their "limited" equity stake in one community into another such home ownership option in another community. Thus, length of ownership of a SCLT home, and/or the length of ownership of a home in another CLT will be considered. Involvement in the SCLT's operation and general activities will also be considered.
6. 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.
7. 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.

## **IV. APPLICATION PROCESS**

The following application process is not necessarily sequential in nature. However, each component of the process is essential to ensure that each of the SCLT's prospective homebuyers is fully informed regarding the fundamental details and atypical nature of the SCLT'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 any one of the following for project specific, or general (as the case may be), information.

1. SCLT
2. Alaska Housing Finance Corporation (AHFC) Homebuyer Education Program
3. Local lenders willing to provide mortgage financing for qualified SCLT homebuyers
4. Realtors listing SCLT homes, if applicable

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

**C. APPLICATION REVIEW.** Applicant is provided with an application form to complete and return to SCLT staff. Assistance with filling out application will be provided by staff on an as-needed basis. Staff will first review application to determine applicant's eligibility within 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).

**D. HOMEBUYER TRAINING.** Applicant is directed to periodically scheduled sessions conducted by Alaska Housing Finance Corporation (AHFC) call *HomeChoice*. Alternatively, the applicant can take the home study course available on the AHFC website, *Finally Home*. 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. INTERVIEW.** Staff and/or Selection Committee schedule and conduct personal interview with applicant household.

**F. PRELIMINARY APPROVAL / DENIAL.** Following mortgage "pre-qualification", reference checks and verifications, Selection Committee 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.

**G. 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.

**H. PURCHASE AND SALES CONTRACT / FORMAL MORTGAGE APPLICATION / ADVANCED ORIENTATION SESSION.** The applicant and the SCLT sign a purchase and sale agreement. Applicant applies for mortgage financing. On a case-by-case basis, assistance with completing application for mortgage financing may be available from the SCLT Staff or a Selection Committee member. A detailed review of the SCLT Ground Lease and other legal documents associated with a particular transaction is scheduled with applicant.

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



**J. INDEPENDENT LEGAL REVIEW.** Applicant must, at applicant's expense, meet with an attorney who reviews all the SCLT 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 and Secondary Eligibly Criteria -

a) Selection Committee - The SCLT Board of Directors shall appoint a Selection Committee consisting of at least one staff person and two Directors of the Corporation. The Selection Committee shall make a recommendation to the 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 and/or secondary criteria discussed herein.

2. Regarding Credit Risk and Overall Creditworthiness -

a) The mortgage underwriting guidelines of the lending programs available to the SCLT's qualified homebuyers shall be the deciding factors regarding credit risk and the overall creditworthiness of a particular applicant

### B. HOW IS DECISION MADE?

1. Regarding Threshold and Secondary Eligibility Criteria -

a) Using the definitions found in Appendix 1, 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.

b) Once this pool of applicants is used up, or if there are more eligible and qualified applicants than housing opportunities available, applications will be considered based on a review of the Secondary Selection Considerations.

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 SCLT 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 28%-36% of household income. (See discussion of Housing Costs, defined below, for exceptions regarding single-family ownership housing.)

"Housing Debt-to-Income Ratio" (HDTI) 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 120% 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 Ownership": the sum of the monthly payments due on
  - the mortgage (principal & interest); plus
  - the property taxes due on the property; plus
  - the hazard insurance policy; plus
  - the homeowners association fee, if applicable; plus
  - the Ground Lease Fee and Homeowner Repair and Replacement Reserve Fee, if applicable.

[NOTE: The housing-debt-to-income and total-household-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. Your debt-to-income ratio is all your monthly debt payments divided by your gross monthly income. This number is one way lenders measure your ability to manage the payments you make every month to repay the money you have borrowed.]

**Adjustment for Household Size** - In those instances when measuring the affordability of an actual unit to a known household, the median income for a household of that size, as determined by HUD, will be controlling.



In those instances when projecting affordability of a particular unit size to a targeted household income level, Adjustment for Household Size shall mean that the average median income of a one person and a two-person household will be used in determining whether a one-bedroom unit is affordable. Accordingly, the median income of a three-person household will be used in determining whether a two-bedroom unit is affordable. The average median income of a four person and a five-person household will be used in determining whether a three-bedroom unit is affordable. The median income of a six-person household will be used in determining whether a four-bedroom unit is affordable. The average median income of a seven-person and an eight-person household will be used in determining whether a five-bedroom unit is affordable.

**APPENDIX 2 - HOME BUYER / LEASEHOLDER APPLICATION**

(See SCLT Qualification and Application Packet)

**APPENDIX 3 – Current 80% and 120% of AREA MEDIAN INCOMES BY HOUSEHOLD SIZE (U.S. Department of Housing and Urban Development)**

**FY 2022 INCOME LIMITS SUMMARY (U.S. DEPARTMENT OF HUD 2022)**

<b>FY 2022 Sitka Median Income</b>	<b>FY 2022 Income Limit Category</b>	<b>1 Person</b>	<b>2 Person</b>	<b>3 Person</b>	<b>4 Person</b>	<b>5 Person</b>	<b>6 Person</b>
\$102,200	<b>Low (80%)</b>	\$57,250	\$65,400	\$73,600	\$81,750	\$88,300	\$94,850
	<b>Moderate (120%)</b>	\$85,850	\$98,100	\$110,400	\$122,650	\$132,450	\$142,250