

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. This policy shall be reviewed from time to time by the Selection Committee for effectiveness in guiding the Sitka Community Land Trust in the pursuit of its mission. This policy may be amended by a majority of the Board.

II. GOALS

The goals of the Sitka Community Land Trust that these policies are intended to support are:

- a) To provide as wide a range of opportunities as possible for income-eligible people to realize homeownership that is decent, safe and affordable;
- b) To insure the preservation of the quality and affordability of housing for future income-eligible residents of the community;
- c) To preserve and encourage economic diversity in Sitka;
- d) To find the best match between households and housing units that is the right price and the right size.

III. SELECTION CRITERIA

A. THRESHOLD SELECTION CRITERIA

The following criteria reflect the Sitka Community Land Trust's goal to reasonably match household size to unit size and household income to housing costs. [Note: some funding sources which the Sitka Community Land Trust 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 Sitka Community Land Trust's application process to determine whether mortgage financing is likely to be obtained by the household based on the applicants 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 Sitka Community Land Trust 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 Sitka Community Land Trust 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. Residency: First priority will be given to current or former residents of the City and Borough of Sitka. Longer-term residency will generally be given higher priority than shorter-term residency although the term of residency need not be in consecutive years.
2. 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.
3. Heirs. If "heir property" is sold to the Sitka Community Land Trust, 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.
4. Need: In general, the Sitka Community Land Trust will give consideration to the lower-income household. The Sitka Community Land Trust 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 homeownership has been on file.
6. Community Land Trust Homeownership: The Sitka 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, Sitka Community Land Trust 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 ownership of a Sitka Community Land Trust home, and/or the length of ownership of a home in another CLT will be considered. Involvement in the Sitka Community Land Trust'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.

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 Sitka Community Land Trust's prospective homebuyers is fully informed regarding the fundamental details and atypical nature of the Sitka Community Land Trust'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. Sitka Community Land Trust
2. Alaska Housing Finance Corporation (AHFC) Homebuyer Education Program
3. Local lenders willing to provide mortgage financing for qualified Sitka CLT homebuyers
4. Realtors listing CLT homes, if applicable

B. INFORMATION/ORIENTATION SESSION. Applicant is advised of the next periodically scheduled Sitka Community Land Trust 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 Sitka Community Land Trust 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 local lenders or Alaska Housing Finance Corporation (AHFC.) 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 Sitka Community Land Trust 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 Sitka Community Land Trust Staff or a Selection Committee member. A detailed review of the Sitka Community Land Trust 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 Sitka Community Land Trust 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 Eligibility Criteria -

a) Selection Committee - The Sitka Community Land Trust 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 Sitka Community Land Trust'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 Sitka Community Land Trust 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.)

"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 condominium or townhouse 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.]

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

(Needs to be developed)

APPENDIX 3 - Current AREA MEDIAN INCOMES BY HOUSEHOLD SIZE (U.S. Department of Housing and Urban Development)

FY 2014 INCOME LIMITS SUMMARY (U.S. DEPARTMENT OF HUD 01/22/2014)

| City and Borough of Sitka, Alaska | | | | | | | | | | |
|-----------------------------------|------------------|----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| FY 2014 Income Limit Area | Median Income | FY 2014 Income Limit Category | 1 Person | 2 Person | 3 Person | 4 Person | 5 Person | 6 Person | 7 Person | 8 Person |
| Sitka City and Borough | \$78,700 | Extremely Low (30%) | 16550 | 18900 | 21250 | 23600 | 25500 | 27400 | 29300 | 31200 |
| | | Very Low (50%) | 27550 | 31500 | 35450 | 39350 | 42500 | 45650 | 48800 | 51950 |
| | | 60% | 33060 | 37800 | 42540 | 47220 | 51000 | 54780 | 58560 | 62340 |
| | | Low (80%) | 44100 | 50400 | 56700 | 62950 | 68000 | 73050 | 78100 | 83100 |
| | | Moderate (120%) | 66100 | 75550 | 85000 | 94450 | 120000 | 109550 | 117100 | 124650 |