



Homeownership Center

Shared Equity Program Information

Windham & Windsor Housing Trust
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History and Services

MISSION STATEMENT

The Windham and Windsor Housing Trust strengthens the communities of Southeastern Vermont through the development and stewardship of permanently affordable housing and through ongoing support and advocacy for its residents.

Windham & Windsor Housing Trust (WWHT) has been creating housing opportunities and fostering vibrant, diverse, and attractive communities since 1987. For over 30 years, WWHT has worked to ensure that there are opportunities for individuals and families, both young and old, to rent an apartment or to purchase a home. As we support our local citizens, we support vibrant and inclusive communities. Our homeownership program started with the Shared Equity program. In recent years, we have expanded our support for homeowners to include homeownership education, low-cost loans and grants for home repairs, and pre-purchase and post-purchase counseling.

WWHT Activities:

- Housing Development
- Property Management
- Shared Equity Program
- Homebuyer and Financial Education
- Home & Apartment Repair Program
- Pre and Post Purchase Counseling

Shared Equity down payment assistance comes with strings attached. WWHT will limit the homeowner's profit from any sale in order to give a new buyer a grant (keeping the house permanently affordable.)

Shared Equity Program Key Features:

- 20%-35% down payment grants
- Limited to low-to-moderate income households (see income limits on pg. 3)
- Properties must be approved by WWHT
- At resale must "pay-it-forward" to next buyer i.e. pay back grant + 75% appreciation (see pg. 4)
- Owner-occupied housing
- Affordability is preserved through a ground lease for single family homes and through a housing covenant for condos

Benefits of Purchasing through WWHT

- Creates a path to homeownership
- Provides housing security
- Preserving affordability and community stability
- Increasing affordability
- Usually no Private Mortgage Insurance payments
- Do not have to pay a realtor commission when selling

Shared Equity Homeownership Tradeoffs

- Must sell back to WWHT so we can identify the next eligible buyer & give the grant again
- Retain only 25% of appreciation in property
- Has to be owner-occupied
- Must meet income eligibility
- Must pay WWHT monthly stewardship fee (i.e. \$25 for single family or \$15 for condos)



Increase Your Purchasing Power

EXAMPLE: a household of three with an income of \$49,920
(two people working full-time who each earn \$12/hour)

Buying without WWHT:		Buying with WWHT:
\$49,920	Annual Family Income	\$49,920
\$500	Family's Monthly Debt	\$500
	<u>Monthly Housing Costs</u>	
\$400	Property Taxes	\$400
\$50	Homeowner's Insurance	\$50
\$0	WWHT Lease fee	\$25
\$150	Private Mortgage Insurance*	\$0
5.75%	Interest Rate	5.75%
\$103,775	Mortgage	\$125,194
\$0	35% WWHT Shared Equity grant**	\$67,412
\$1,206	Your Monthly Payment	\$1,206
\$103,775	Purchase Price	\$192,607

**Increase Purchase Price by \$88,832
while keeping your monthly payment the same!**

* Closing costs are separate from down payments. Borrowers will be responsible for approx. \$9,000-\$12,000 in closing costs (including a \$1,250 WWHT transaction fee.)

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

* Most WWHT grants are between 20%-35% down payment of the agreed purchase price.



Income Limits

In order to purchase **most WWHT Shared Equity homes**, you must have an annual household income that falls below the maximum amounts listed below.

***Note:** Eligibility for the Shared Equity program is determined by household income, not solely who is on the mortgage.

Household Size	Maximum Income VT Statewide
1	\$95,090
2	\$108,670
3	\$122,260
4	\$135,840
5	\$146,710
6	\$157,570



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

At Purchase	
\$200,000	Original Purchase Price (usually equals the appraised value)
<u>-\$40,000</u>	<u>WWHT Down Payment Grant</u>
\$160,000	Net Purchase Price

At Resale	
\$230,000	New Appraised Value
<u>-200,000</u>	<u>Original Appraised Value</u> (purchase price)
\$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 Purchase Price of Home
<u>-\$40,000</u>	<u>WWHT Down Payment Grant</u>
\$160,000	Net Purchase Price
<u>\$7,500</u>	<u>Your Share of Appreciation</u>
\$167,500	What you sell for to WWHT*

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>
\$28,260	Your Proceeds (appreciation plus mortgage principal reduction)

***Reminder:** WWHT's goal is not to make a profit at resales, we pay Shared Equity grants forward to the next eligible homebuyer

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 7 years of repayment on a 4.5% 30-year loan with no extra payments.



How To Purchase

- **Resales** - WWHT has over 130 properties in its portfolio. When a current homeowner wants to sell, we post the home on our website at (www.homemattershere.org) and help the owner find another income-eligible buyer. *The eligible buyer is selected first-come, first-serve based on their application date with WWHT.

- **Buyer Driven** - WWHT receives grants to provide eligible buyers with down payment grants to purchase WWHT approved homes of their choosing on the open market and bring them into the WWHT portfolio. The availability of these grants is dependent on funding but can range from 20% to 35% of the purchase price.

Examples of Buyer-Driven Purchasing Program

The purchase price limit for WWHT's Shared Equity program is \$325,000.

All buyer-driven Shared Equity grants are capped at \$80,000.

The size of the Shared Equity grant is, in part, determined by our funding source (so the full 35% grant is not guaranteed.)

Purchase Price	Max Grant	Your Mortgage
\$300,000	\$80,000 grant	\$220,000 loan
\$275,000	\$80,000 grant	\$195,000 loan
\$250,000	\$80,000 grant	\$170,000 loan
\$225,000	\$78,750 grant	\$146,250 loan
\$200,000	\$70,000 grant	\$130,000 loan
\$175,000	\$61,250 grant	\$113,750 loan



Inquiry to Closing Steps

- **All WWHT Shared Equity applicants must complete homebuyers education & participate in one-on-one counseling.**
- If you are interested in a **WWHT resale property**, start by checking the “Homes for Sale” page on our website, www.homemattershere.org. 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 interested in participating in the **WWHT buyer-driven process**, see our “Buyer-Driven Information Steps” checklist! (Separate handout.)
- Since most Shared Equity properties are first-come, first-serve, we highly recommend you seek pre-approval with a partnering lender ASAP.
- If you are selected as the buyer for a property, you will sign a Purchase & Sale contract with WWHT. **You will need to put a cash deposit down when you sign the contract** We will set a tentative closing date, which will be at least 8 weeks out. **All WWHT buyers are required to show proof of \$3,000 in savings at the time of application.**
- If you are purchasing a condo, make sure you get copies of the condominium documents (bylaws, budgets, etc.) from WWHT.
- 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 WWHT staff member may need 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 WWHT listed as “additionally insured” on your policy and VHCB listed as “loss payee.”
- 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 closing.



Capital Improvements

What happens if I make improvements to a WWHT home?

If you are interested in making improvements to your WWHT home, you may be eligible to receive a Capital Improvement Credit. Capital Improvement Credits are how WWHT 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 WWHT first?

For small improvements in your WWHT home, it is not necessary to check with us before doing the work. However, to protect the future marketability of the home WWHT 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 hard-wood 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?

WWHT 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 WWHT home (even take before and after pictures if you like). When you decide to sell your home, WWHT 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 WWHT 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.

Can my children inherit my home?

Yes, absolutely. Make sure you have your attorney specify your wishes in your will. Direct family members (i.e. children & spouses) as well as household members who have resided in the house for at least 1 year prior to the homeowner's death are able to inherit the home without income-qualifying for the Shared Equity program. Non-direct family member heirs may also inherit the home, but they do need to income-qualify through WWHT.

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

With most single family houses, WWHT owns the land under the house and the homeowner owns the house on the land. The homeowner leases the land from WWHT. 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 WWHT condo, they maintain 100% ownership of the property. The condo owner will sign a WWHT covenant when they purchase to ensure the continued affordability of the property.

What happens if I would like to refinance my mortgage?

Talk to WWHT first! WWHT 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 WWHT 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. Homeowners are responsible for paying the attorney fees that WWHT incurs which are usually \$600 - \$1,000.

Can I pay back my Shared Equity grant? Or buy the land from WWHT?

No. We do not want you to pay back the grant and will not accept payment. The mission of the program is to have the grant stay with the property to ensure the permanent affordability of the home. Grants will be paid forward to the next income-eligible buyer at resale. The goal is to keep the home in the Shared Equity program forever.



Disclosure of Fees

For Single Family Homes:

Transaction Fee (\$1,250): When you purchase your home from WWHT, we charge a one time \$1,250 transaction fee that is due at closing.

Ground Lease Fee (\$25/month): When you purchase a single family home with land from WWHT, you have ownership of the improvements on the land (house, garage, shed, etc) but WWHT keeps ownership of the land under the improvements. The Ground Lease Fee of \$25 per month helps to sustain WWHT's ability to help our members by supporting salaries and overhead. As a WWHT homeowner you have access to the counselors at WWHT for any help that you might need through your time in the WWHT home, including budgeting, refinancing, etc.

Property Taxes (varies): Because WWHT has ownership of the land, the property tax bill comes to the WWHT 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 WWHT will send the homeowner the land tax portion of the bill as the bills are received from each town.

For Condominiums:

Transaction Fee (\$1,250): When you purchase your condo from WWHT, we charge a one time \$1,250 transaction fee that is due at closing.

Condo Membership Fee (\$10/month): The Condo Membership Fee of \$10 per month helps to sustain WWHT's ability to help our members by supporting salaries and overhead. As a WWHT homeowner you have access to the counselors at WWHT for any help that you might need through your time in the WWHT home, including budgeting, refinancing, etc.



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 WWHT approved lender
- Have a copy of your credit report from the past 60 days
- Have income verification on file that is not more than 90 days old
- Supporting documents must not be more that 90 days old

Selection Criteria:

1. **Lowest debt to income ratio** -1 point
 - The household that has the lowest debt to income ratio will receive one point.
2. **Credit score above 680**-1 point
 - All households with credit scores above 720 will receive one point.
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 WWHT tenant or homeowner** -1 point
 - All current WWHT 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 WWHT properties for at least six months** -½, 1 or 1½ points
 - Any household that has been actively seeking to purchase a WWHT 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.

*** 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.**

Windham & Windsor 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 Fair Housing Project Information.