City of Boulder
Housing and Human Services

Lender Guide

Homeownership Program

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Equal Housing Opportunity

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Welcome!

Dear Mortgage Lender,

We are pleased you are working with a buyer or owner in City of Boulder's Affordable Homeownership program. This is a great community in which to live, and Boulder has taken steps to ensure an inventory of permanently affordable homes and opportunities for ownership in our community.

The City of Boulder makes homes affordable through regulations and subsidies. As such, there are several responsibilities to which program buyers and owners commit. This manual was developed to provide a program overview to lenders, while giving specifics about the city's requirements and timeframes for approving and drafting documents for closing.

The City of Boulder requires all mortgages on permanently affordable homes to meet several requirements. The intent of these requirements is to reduce the risk of default and foreclosure in order to protect the future of the limited resources of the Permanently Affordable Homeownership Program.

In the event of foreclosure, the resale restrictions terminate unless the city intervenes. As such intervention typically requires a significant public investment, the city has instituted several precautions. For example, all buyers are required to attend homebuyer training and make monetary investments in the home.

The mortgage policy has been developed to protect the community's interest in the homes in this program while attempting to preserve adequate borrowing options for program participants.

City staff is here to assist if you have questions after reviewing this information. Please do not hesitate to contact via any of the methods below.

Sincerely,

The Homeownership Program Team
City of Boulder
Housing and Human Services

City of Boulder Homeownership Programs
Mailing Address: P.O. Box 791, Boulder, CO 80306
303-441-3157, ext. 2
homeownership@bouldercolorado.gov
www.boulderaffordablehomes.com

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City of Boulder Affordable Covenant Summary

All Permanently Affordable homes come with affordable covenants that ensure the homes Remain perpetually affordable into the future. The buyer must accept all terms of the covenant to be eligible to purchase the home.

Covenant Key Points

- The maximum income of a new buyer will be established in advance of sale or re-sale, and the home may not be sold to a buyer that exceeds the maximum income limit.
- The home has a Maximum Resale Price Limit that includes limiting appreciation.
- Buyers are required to maintain their affordable home in a manner that protects the health, safety and livability for future homeowners.
- Eligible capital improvements for which a homeowner can receive credit are limited in amount and type and must be pre-approved by the city to receive credit.
- The ability to refinance is limited to 90-93% of the Maximum Resale Price Limit. The city must be contacted prior to arranging refinancing with a lender to ensure this limit is not exceeded.
- The home must be occupied by the owner unless the city has approved a rental arrangement.
- The home cannot be rented in its entirety during the first five years of ownership.
- After five years of ownership, the home may be rented for one year out of every seven. The city needs to be contacted prior to renting for approval.
- A long-term rental of only one room in the home may be permitted after the first year of ownership. Please contact us for details. Licensing regulations must be followed.

A full version of the Covenant is available by request. For a copy please email us at homeownership@bouldercolorado.gov.

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City of Boulder Mortgage Policy

Loans used to purchase or refinance homes in the program must meet the guidelines of the mortgage policy. The current policy can be found on our website. Please contact us if you have question about the policy.

Appraisal

Appraisers often request guidance when appraising permanently affordable homes. As the city's resale restrictions terminate upon foreclosure, the security value of the home is its unrestricted market value. Appraisers should use standard market comparable properties. Fannie Mae has issued appraisal guidelines to this effect. See "Ann. 06-03: Properties Subject to Resale Restrictions or Located on Land Owned by Community Land Trusts (03/22/06)." A copy of these guidelines is on our website.

Purchase Loans

The city's homeownership programs have been designed to facilitate standard mortgage financing, including FHA and Fannie Mae.

One of the requirements in applying for the city's program is that applicants submit a preapproval letter and the typed loan application (Form 1003) or recent credit report with their city application. We do not accept prequalification letters as we want to ensure that those certified for our program can purchase a home, as evidenced by their submitting a full loan application to their lender.

Certified buyers entering a purchase contract will be required to provide documents to the city before closing. If working with a buyer, expect them to ask for the following documents to be sent to their specific staff contact:

1) Loan Estimate
2) Most recent loan application (Form 1003)
3) Title commitment documents

Once these documents are received, we will review them for conformity with our mortgage policy. We will use the data from the loan application for our final income and debt-to-income ratio certifications. Finally, the information found in the Loan Estimate and loan application will be used to determine whether a Solution Grant is available to the buyer.

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Solution Grant

Overview: Grant for buyers in the City of Boulder Permanently Affordable Program or Thistle's Boulder Land Trust program.

Assistance available: Up to 5% of the purchase price of a Permanently Affordable home.

Income limits: Housing and Urban Development Low Income Limit + 10% (HUD + 10%).

Boulder HUD + 10% (2023)					
	1 person	2 people	3 people	4 people	5 people
Max income	$75,980	$86,845	$97,715	$108,500	$117240

Repayment: No repayment (homes future sales price is reduced by the grant amount).

More details: Eligible buyers receive funds from the city to cover down payment and closing costs to purchase a home in the city's Permanently Affordable program or a Thistle Community Land Trust home in the City of Boulder. Up to 5% of the home's value may be available. Funds are not available to help buyers achieve more than 5% down. Buyer funds (including gifts, assets, and other grants) will be applied first. Any remaining closing cost gap will determine the amount granted. Funds are not committed until a lender provides a Loan Estimate, Loan Application (form 1003), and Title Commitment. The grant is not paid back, though the city will reduce the future maximum resale price of the home by the grant amount. The funds are not intended to help a buyer avoid mortgage insurance, buy points, pay private mortgage insurance (PMI) in advance, pay down principal, meet a specific debt-to-income ratio, or provide any other buy-down assistance that causes the interest rate to be lower in exchange for costs paid at closing. In most cases, the grant is only available when a lender is requiring a down payment of 5% or less. Finally, for new construction, buyers cannot purchase upgrades and receive a grant.

Contact: City of Boulder Homeownership Program - homeownership@bouldercolorado.gov - 303-441-3157 - www.boulderaffordablehomes.com

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Shared Appreciation Loan (House to Homeownership or H2O)

Overview: Loan for buyers purchasing a market rate home in the City of Boulder.

Assistance available: Up to $100,000.

Income limits: 120% of the Area Median Income**.**

120% of Boulder AMI (2023)					
	1 person	2 people	3 people	4 people	5 people
Max income	$111,600	$127,560	$143,520	$159,360	$172,200

Repayment: Balloon payment due at 30 years, or upon transfer. Repayment amount is the original loan plus up to 15% of the home's appreciation at the time of pay off.

More details: The shared appreciation loan program provides a second loan for up to $100,000 on market rate homes purchased in the city of Boulder. In support of the primary loan, this additional loan is intended to help buyers with limited assets close on a home. No payments are made on the loan for 30 years unless the home is sold or title is transferred. When the loan matures, the original amount is due along with a share of the appreciation. This loan can only be used on market rate homes in the City of Boulder. It is not designed to be used with the city's permanently affordable program. This program has no resale restrictions. The home may be sold at market-rate.

Contact: The Impact Development Fund - consumerloans@impactdf.org - https://impactdf.org

Middle Income Down Payment Assistance Pilot Program

Overview: Loan for buyers purchasing a market rate home in the City of Boulder.

Assistance available: $200,000 or 30% of the sale price, whichever is less.

Income limits: 120% of the Area Median Income**.**

120% of Boulder AMI (2023)					
	1 person	2 people	3 people	4 people	5 people
Max income	$111,600	$127,560	$143,520	$159,360	$172,200

Repayment: The interest on the DPA loan is 0% and no monthly payments are made on the loan. After 15 years, the total loan amount is due back. If the title of the home transfers before 15 years, the total is due at the time of title transfer.

More details: This loan offers middle-income households a zero-interest second mortgage. The loan amount is $200,000 or 30% of the home's sale price, whichever is less. In exchange for this down payment assistance, the buyer agrees to deed restrict the home to keep it affordable to future buyers. This loan can only be used on market rate homes in the City of Boulder. It is not designed to be used with the city's permanently affordable program. This program has resale and other restrictions similar to the Permanently Affordable Homes Program (described above).

Contact: City of Boulder Homeownership Program - homeownership@bouldercolorado.gov - 303-441-3157 - www.boulderaffordablehomes.com

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Colorado Down Payment Assistance Fund (Colorado DPA)

Overview: Down Payment assistance loans with 0% interest.

Assistance available: Up to $25,000.

Income limits: 80% of the Area Median Income (higher limits for those purchasing outside the City of Boulder).

80% of Boulder AMI (2023)					
	1 person	2 people	3 people	4 people	5 people
Max income	$74,400	$85,040	$95,680	$106,240	$114,800

Repayment: Repaid over 30 years.

More details: The Colorado DPA fund provides a second loan for up to $25,000 on permanently affordable or market rate homes in select Colorado areas. Homes purchased in the City of Boulder are eligible. In support of the primary loan, this additional loan is intended to help buyers with limited assets close on a home in Boulder. Payments on the 0% loan are made for 30 years.

Contact: The Impact Development Fund - consumerloans@impactdf.org - https://impactdf.org

Metro Down Payment Assistance (MetroDPA)

Overview: Loan that is forgiven after three years.

Assistance available: Up to 5% of the primary loan value.

Income limits: $176,700 all households (2022).

Repayment: Loan is forgiven after three years if the owner continues to live in the home.

More details: MetroDPA makes available a loan for up to 5% of the primary loan's value. After three years of primary loan payments the MetroDPA loan is forgiven. The MetroDPA Program is administered by the City and County of Denver, and the city of Boulder is a participating jurisdiction. Lenders that have completed the required training are eligible to participate. It is the lender's responsibility to certify the applicant eligibility for this grant, reserve funds, and meet the reporting requirements.

Contact: City and County of Denver - www.metrodpa.org

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Personal Investment Enterprise (PIE)

Overview: Matched savings for down payment.

Assistance available: Up to $4,000.

Income limits: 80% of the Area Median Income.

80% of Boulder AMI (2023)					
	1 person	2 people	3 people	4 people	5 people
Max income	$74,400	$85,040	$95,680	$106,240	$114,800

Repayment: No repayment.

More details: The Boulder County PIE program gives qualified applicants a $4 match for every dollar they save for down payment up to $1,000 ($4,000 match). Funds need to be saved in a program established account and require a six-month saving period.

Contact: Boulder County - pieprogram@bouldercounty.org – 303-441-3998 - https://bouldercounty.gov/families/community-action-programs/personal-investment-enterprise/

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Setting the Maximum Resale Price of Permanently Affordable Homes

The resale formula that sets the maximum price strikes a balance between keeping the home affordable and allowing owners to receive a return on their investment in the property. This formula is not tied to the performance of the real estate market. Below is how the city calculates maximum resale values for a majority of the homes in the program. Owners should consult their individual covenant for the specific formula.

A. Start with the original purchase price

B. Subtract the amount of any Solution Grant monies received. This is now considered the purchase price.

C. Each year multiply the purchase price by the percentage change in the most recent Consumer Price Index or Area Median Income (whichever is less) to determine the annual appreciation credit. In the Permanently Affordable Program the maximum increase for any given year is 3.5 percent, while the minimum increase is 1.0 percent. For homes purchased with the Middle Income Downpayment Assistance program the maximum increase for any given year is 5.5 percent, while the minimum increase is 3.0 percent.

D. Each year add the appreciation credit to the purchase price.

E. Add the cost of approved Capital Improvements up to the time of listing the home for sale. Improvements to the home may be made at any time by the owner, but only pre-approved and eligible capital improvements will result in a higher selling price (see the Homeowner Manual at www.boulderaffordablehomes.com for the most updated eligible capital improvement list).

F. Deduct the amount of any excessive damages discovered during inspection that the owner is unwilling to repair.

G. Add the amount of the sale commission paid by the Owner, not to exceed the maximum allowable sales commission published by the City Manager on an annual basis.

The owner will not be required to sell below the maximum resale price unless the unit appraises for a lesser value. Market conditions may result in a seller deciding to sell for less than the maximum price.

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Refinancing

Most owners may refinance a mortgage used to purchase their home if the refinance amount does not exceed 93 percent of the current resale value of the home for fixed rate financing (90 percent for variable rate financing including HELOCs). The City of Boulder must approve the loan to confirm the loan meets these requirements and the new loan terms meet the current mortgage policy.

The city has a $10 deed recorded against the property. This lien will be subordinated to the new financing, as is required by most lenders, if the terms listed above are met.

Owners should contact the city when they are ready to refinance their home so we can provide the owners with a letter listing their home's current value, details on determining their maximum refinance amount, and the required documents needed for the city to subordinate its $10 deed to the new loan.

Once we receive the required documents from the lender, we require approximately ten business days to analyze the loan, process our subordination, and send documentation to Title for closing. If terms or amounts change then we must receive new versions of the loan documents.

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Recommended Resource for Foreclosure Prevention

If an owner is behind in mortgage or Homeowners Association (HOA) payments, or have been served a notice of foreclosure they are required to notify the city. For those in this situation help is available. Boulder County Housing and Financial Counseling is dedicated to helping homeowners at risk of foreclosure. A few important points:

- Early intervention is key to helping homeowners stay in their homes.
- Counseling is not just for borrowers already in foreclosure but also for all who have missed a payment or who think they might miss a payment.
- If an owner is in jeopardy of foreclosure, or know someone who is, contact the Boulder County Housing and Financial Counseling Program at **720-564-2279.**

Boulder County's housing counselors are neutral parties that act as an information resource for borrowers and as facilitators between the borrowers and lenders. Boulder County's Housing Counseling Program is approved by the U.S. Department of Housing and Urban Development to conduct foreclosure prevention counseling.

For assistance, visit the Boulder County Foreclosure Prevention website at:
https://www.bouldercounty.org/families/housing/personal-finance-coaching/
or call them at 720-564-2279.

Please keep in mind that non-payment of HOA dues can result in foreclosure. The city is unable to assist owners with HOA matters as the HOA is made up of members of those living in the HOA. The Homeownership Program has no jurisdiction or vote in community matters. Active participation in an HOA will help to ensure a good homeownership experience.

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Frequently Asked Questions

Can an owner rent their home?
Generally, an owner must live in their home for at least five years before they are eligible to rent the home in full. An owner may generally rent for a period or periods of time totaling 12 months out of every seven years of ownership. If an owner intends to rent, they should contact us for requirements.

Owners may rent one room in their home, while they are still living in the home, after one year of ownership.

In order to rent a home, an owner may need a Rental License Exemption from the City of Boulder. Please be aware that some loans may restrict an owner's ability to rent their home. Owners must also abide by any HOA rental requirements.

What happens in the event of foreclosure?
The city's resale restrictions terminate upon foreclosure. The security value of the home is its unrestricted market value.

How should an appraiser go about valuing the home?
Appraisers should use standard market comparable properties. Fannie Mae has issued appraisal guidelines to this effect: "In cases where the resale restrictions terminate automatically upon foreclosure (or the expiration of any applicable redemption period), or upon recordation of a deed-in-lieu of foreclosure, the appraisal should reflect the market value of the property without resale restrictions. The lender must ensure that the appraiser is aware of the resale restrictions and should advise the appraiser that they must include the following statement in the appraisal report: "This appraisal is made on the basis of a hypothetical condition that the property rights being appraised are without resale and other restrictions that are terminated automatically upon the latter of foreclosure or the expiration of any applicable redemption period, or upon recordation of a deed-in-lieu of foreclosure." See Fannie Mae Announcement 06-03: Properties Subject to Resale Restrictions or Located on Land Owned by Community Land Trusts (03/22/06) for further details.

Why does the City of Boulder hold a $10 note and deed?
Most of the properties sold through the program have been deemed permanently affordable. In order to be notified of any lending or foreclosure transactions related to the property and to continue to secure the community's interest in the property, the city records a $10 note and deed.

How can I get the $10 note and deed released?
We will not permanently release the note and deed before a sale, but we will subordinate it to the first mortgage.

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