IN THIS PACKET YOU WILL FIND:

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- PROBLEM: The Reality of Buying a Home in Seattle
- SOLUTION: What We Do
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- What are the Benefits of Homeownership with Homestead?
- What HOMES Do We Currently Have Available?
- Do I QUALIFY?
- How do I Qualify for a Mortgage?
- When I am Ready, How Do I RESELL MY HOME through Homestead?
- Pre-Purchase CHECKLIST
Who is Homestead?

Homestead Community Land Trust empowers individuals, stabilizes families and strengthens neighborhoods by creating and preserving affordable homeownership opportunities for modest-income homebuyers in the Seattle area.
Who buys through Homestead’s program?

As of April 2015, Homestead has partnered with 205 households in the purchase of their first home. The people who purchase homes through Homestead’s program are finished renting and ready to be homeowners, but cannot afford to buy a home on their own due to Seattle’s high prices.

Homestead’s Recent Homeowners:

- Healthcare Advocate – Seattle Non-profit
- Graduate Program Advisor – University of Washington
- Head Start Program Coordinator – Renton School District
- Gym and History Teacher – Seattle High School
- Hair Stylist – Downtown Seattle Salon
PROBLEM: The Reality of Buying a Home in Seattle

The reality is Seattle is expensive. Housing prices are out of reach for most of us. When the median home price requires $100,000 income and Seattle’s median household income is $67,100, the math just doesn’t add up.

Even then, the people working in critical helping and service occupations make a lot less than that.

Homestead homeowners work in the professions listed below. We acknowledge the rising need for affordable homes; the average annual household income of our homeowners is $41,000. In partnership with Homestead, you can afford to live in the communities where you work.

<table>
<thead>
<tr>
<th>Profession</th>
<th>Median Annual Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Firefighter</td>
<td>$45,877</td>
</tr>
<tr>
<td>High School Teacher</td>
<td>$59,608</td>
</tr>
<tr>
<td>Nursing Assistant</td>
<td>$28,269</td>
</tr>
<tr>
<td>Mental Health Technician</td>
<td>$33,902</td>
</tr>
<tr>
<td>Social Worker</td>
<td>$53,072</td>
</tr>
</tbody>
</table>

1 Trulia, June 2014  2 Assuming 30 year mortgage, 5% interest, $7,000 closing costs, $23,000 downpayment, 1.25% property tax and $50/mo. insurance costs  3 City of Seattle Department of Planning and Development Website, July 2013  4 Salary.com, July 2014
Homestead answers our city’s expensive housing problem with an ingenious solution. The quick explanation is that we are a Community Land Trust (or CLT). When a family purchases a home from a CLT, like Homestead, the land itself remains within the non-profit land trust, making the initial cost lower. On resale, just the home is sold at an affordable price; the land stays in the trust, keeping the home permanently affordable for future families.

In the U.S., CLTs have roots that come from the Civil Rights movement in the American South in the 1960’s. Preserving access to land for persons excluded due to race, social status, or level of income were primary catalysts for the creation of the modern CLT. CLTs use a real estate model called a leasehold agreement. Leasehold is also used for many vacation properties or tribal lands. For instance, like a conservation land trust, much of the land of Hawaii is leasehold land in an effort to protect the environment and land use. In Homestead’s model, we use a legal agreement called a ground lease to keep homes affordable for Seattle’s individuals and families.
LOGISTICS: How the Ground Lease Works

The ground lease is a document that you will sign at closing that details the terms of your purchase assistance from Homestead. Homebuyers will review these legal agreements with Homestead staff and discuss all the details prior to buying a home. Some of the key points are:

- The ground lease is valid for 99 years and is renewable after that.
- You can pass on the home to your family – the ground lease is inheritable.
- It requires owner occupancy as long as you own the home
- A formula sets maximum resale price the house can be sold to the next buyer
- You will pay a nominal ongoing lease fee to Homestead- $35-$40/month. This fee supports services provided to homeowners.
- You get automatic membership into and voting rights in the community land trust.
- The homeowner agrees to insure home, pay taxes and maintain home.
What are the Benefits of Homeownership with Homestead?

- The purchase price is much, much lower - typically between $50,000 to $100,000 less than a market-rate home.
- If and when you decide to sell, you receive a reasonable rate of return on your investment - without worrying about paying back the funding you initially received.
- You have the long term security of owning your own home.
- You accumulate equity in a conservative and steady rate. Your investment is protected from the extremes of market ups and downs.
- You enjoy the tax benefits of homeownership.
- You have an affordable housing payment protected from increase.
- Your property taxes may be reduced.
- You receive ongoing support, classes, and services from Homestead after closing to insure your success.
There are two primary paths to homeownership:

- **Homestead Rebuilding Communities**: HRC develops Homestead homes through renovating properties and brand new construction. We renovate or build approximately 15 homes a year with an average of $80,000 in repairs and upgrades. These homes are high quality, durable and energy efficient.

- **Homestead Re-sale**: Current Homestead homeowners notify staff if and when they decide to sell their homes. Homestead helps manage the re-sale and notifies our buyers on our interest list as homes become available.

*To get first notice of properties as they become available, fill out our online application to join our interest list*
Do I Qualify?

In order to become eligible for homeownership through Homestead’s program:

- **You must be a first time homebuyer.** This means you have not owned a home in the past three years.
- **You must meet the required minimum income.** Seattle has high home costs and therefore, the minimum income we can typically serve is $30,000 per year and up, unless you have a significant down payment (e.g. $20,000 or more).
- **Your total household income** (counting everyone in your home, regardless of if they will be on the mortgage) must be at or below the following limits.
  - If you are close to the limits or not sure, call us and we will review your income together.

<table>
<thead>
<tr>
<th>People in your Household</th>
<th>Yearly Gross Income cannot be more than</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$46,100</td>
</tr>
<tr>
<td>2</td>
<td>$52,650</td>
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<tr>
<td>3</td>
<td>$59,250</td>
</tr>
<tr>
<td>4</td>
<td>$65,800</td>
</tr>
<tr>
<td>5</td>
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<td>7</td>
<td>$81,600</td>
</tr>
<tr>
<td>8</td>
<td>$86,900</td>
</tr>
</tbody>
</table>

- **You must be able to qualify for a Conventional Mortgage through a participating lender partner.** (See “How do I Qualify for a Mortgage?”)
• You must be able to contribute at least 1% of the home purchase price or $2,500 (whichever is greater) to the down payment. You must also spend all but $5,000 of your liquid assets (checking and savings), if you have that much, on the home purchase. For example; a homebuyer with $11,000 in savings must make a $6,000 down payment.

• Finally, you must understand Homestead's mission and efforts to create permanently affordable homes in Seattle.
How do I Qualify for a Mortgage?

You must be able to qualify for a conventional mortgage through a participating lender. This usually requires:

- 680 minimum credit scores, 700+ preferred credit score.
- Stable job history of 2+ years in the same line of work, 1+ year on the same job
- Self-employed borrowers qualify with average net income from last 2 years tax return
- Several positive credit references with a minimum of 12 month history. Ex. Car loan, student loan, credit card, etc.
- Liens, judgments and collections paid.
- 38% Debt-to-income ratio (See below)

Understanding Debt

Lenders want to see that your total debt (housing payment + car payment + student loans + credit cards + any other debts reporting on your credit report) is less than 38% of your total income.

To calculate, **multiple monthly gross income by 0.38**

For example: $36,000 gross annual salary / 12 months = $3,000

$3,000 x 0.38 = $1,140

In this example, your total debt including the new house payment can be no more than $1,140 per month. Outstanding debt significantly reduces the amount of mortgage loan you can qualify for.

For example: a $100 monthly credit card payment will decrease the loan you qualify for by over $17,000. At the same time, paying off debts will help to increase to total loan amount you qualify for.

If you are unable to qualify for a mortgage at this time, Homestead can provide you resources to get you on the right track.
When I am Ready, How Do I Resell My Home through Homestead?

The ground lease states that, if the homeowner needs or wants to sell their home, the homeowner does so in accordance with the resale formula. This formula provides a financial return to the owner/seller and helps to ensure affordability for the next household. The resale formula provides a selling price of the homebuyer’s original contribution or “initial purchase price” plus 1.5% compounding annually. Let’s explain this.

It helps to see real numbers to better understand it. Here is an example of the resale formula:

- Your “initial purchase price” is $200,000. This is what you paid for your home (your first mortgage and cash down payment).
- The resale formula increases the resale price of your home by 1.5% each year.

This table reflects the price a home would sell to the next Land Trust buyer with each subsequent year. Example assumes purchase price of $200,000

<table>
<thead>
<tr>
<th>Year</th>
<th>Price</th>
<th>Year</th>
<th>Price</th>
<th>Year</th>
<th>Price</th>
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<tr>
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<td>11</td>
<td>$235,589</td>
<td>21</td>
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<td>$294,541</td>
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<tr>
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<td>17</td>
<td>$257,604</td>
<td>27</td>
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<tr>
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<tr>
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<td>20</td>
<td>$269,371</td>
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<td>$312,616</td>
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Contact Us at info@homesteadclt.org
Continuing with this example, let’s say you own your home for ten years but in the tenth year you decide to sell it. Your maximum formula resale price would be $221,968 ($200,000 + 1.5% compounding annually from the chart above).

Your equity at the time of sale would be roughly $67,026. This is made up of both the 1.5% formula increase ($32,108) and the amount of your loan that you have paid off ($34,918) over those ten years. Equity amount does not account for your share of closing costs at the time of sale.
Pre-Purchase CHECKLIST

Step 1: QUALIFY. Find out if you are eligible by reviewing our requirements. If you have questions, reach out to us directly.

Step 2: APPLY. Fill out Homestead’s online application. This should take about 10 minutes.

Step 3: REVIEW YOUR FINANCES. You will receive a follow up call or email from a Homestead staff member to review your application and get prepared.

Step 4: GET EDUCATED. Take a First Time Homebuyer’s class. Weekly class listings are found on Homestead’s website.

Step 5: RESOLVE CREDIT ISSUES. If you have any credit or finance issues, we can help you resolve your issues before you buy. There are resources on our website that will help you get started.

Step 6: DOCUMENTATION. Gather the basic items you will need to present to a mortgage lender. You need 3 years tax returns, 3 years W2s and 1099s, 2 most recent paystubs for all jobs, and 1 most recent bank statement for each account.

Step 7: PRE-APPROVAL. Understand what you can afford. Apply to a participating mortgage lender and turn in your documentation.

Step 8: FIND A HOME. Once you are pre-approved, reach back out to us. We will re-affirm that you qualify and see what we have available. If you see a home you like, we can arrange a showing.

Step 9: CLOSING PROCESS. Once you select a home, we will guide you through all the steps in the closing process. You will set a time to meet with our staff, sign the purchase and sales agreement, and complete the transaction.

Step 10: KEYS. After a 45 to 60 day closing process, you can move into your new home. Congratulations!