RCH Shared Equity Program Policies

What is Shared Equity?

- Provides long-term affordable housing at significantly lower sales prices.
- Lower sales prices are possible through an initial equity investment.
- A special class code assigned by the PVA ensures that lower sales prices are excluded from area comps .
- In exchange, buyer agrees to a deed restriction:
  - House sold repeatedly to low-income buyers
  - Sales price restricted for future low-income buyers for 99+ years
  - Restricted to families with incomes under 80% of area median income but affordable to much lower income buyers.
  - Appreciation shared between seller and future low-income buyers
- Priority given to buyers who have been displaced or are at risk of displacement.
- First program in Louisville taking this approach to housing affordability.
- The purpose:
  - to continue to provide homeownership opportunities for low- and moderate-income families as sales prices and interest rates increase, and
  - to maintain affordability long-term for future home buyers of the same house in the neighborhood in perpetuity.

RCH Shared Equity Policies

Applicant Selection

- Initial sale price affordable to buyers at 60% of AMI
- Program serves families earning up to 80% AMI
- Program maintains an applicant interest pool of potential buyer households.
- Interest pool households must:
  - Meet income qualifications,
  - Complete a HUD-approved homeowner counseling course, and
  - Complete the program pre-application

Resale Restrictions

- **RESALE PRICE = the original buyer is able to add 2% of the original sales price for each year they own the home onto the ORIGINAL sales price to determine a RESALE price.**
- Program reviews applications, certifies eligibility, and selects a buyer from the applicant pool.
- Resale transactions happen directly between the owner and applicant buyer.
- Homeowner may receive credit at the time of sale for program-approved capital improvements.

Insurance, HOA, Maintenance & Capital Improvements

- Homeowner maintains replacement cost homeowners insurance
- Homeowner maintains the property in good, safe and habitable condition.
- **Maintenance costs are the responsibility of the homeowner**.
- **Homeowner is required to pay property taxes and homeowner association fees, if applicable.**
- Program inspects the property for compliance with minimum housing standards and prior to resale.
- Homeowner can make capital improvements according to the policies with prior written consent from the program.
- Capital improvements shall not cause the resale value to exceed the Affordability Price of the property.

Support, Monitoring, & Enforcement

- Program commits to the shared equity program model to ensure:
  - homeowners are successful and build transformational wealth;
  - homes remain affordable over time; and
  - public and private investments in our program's homes serve low- and moderate homeowners in perpetuity.
- Homeowner pays a $15/mth administration program fee for ongoing monitoring and stewardship.
- Program monitors and enforces terms of agreement and other legal documents associated with resale restricted homes and homeowners
- If the home is at risk of foreclosure, program has 3 goals:
  - keep property in trust (retain community's investment)
  - protect structural integrity of the house, and
  - protect the homeowners.

Legal Document Review

- To ensure homebuyers understand the terms of the program when they purchase a resale restricted home, prior to closing all homebuyers shall:
  - Meet one-on-one with the program administration to review legal documents and the resale formula.
  - Meet with a licensed attorney to review the agreement and other legal restrictions associated with the resale restricted property.

River City Housing

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RIVER CITY HOUSING

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RIVER CITY HOUSING
Shared Equity Program

How does a Shared Equity Housing Model work?

RCH's Shared Equity Program will offer an initial subsidy as a principal reduction for low- and moderate-income homebuyers to reduce the mortgage amount at the time of purchase.

Increase in appreciation is shared between the buyer and seller

The home stays permenantly affordable for any subsequent buyers!

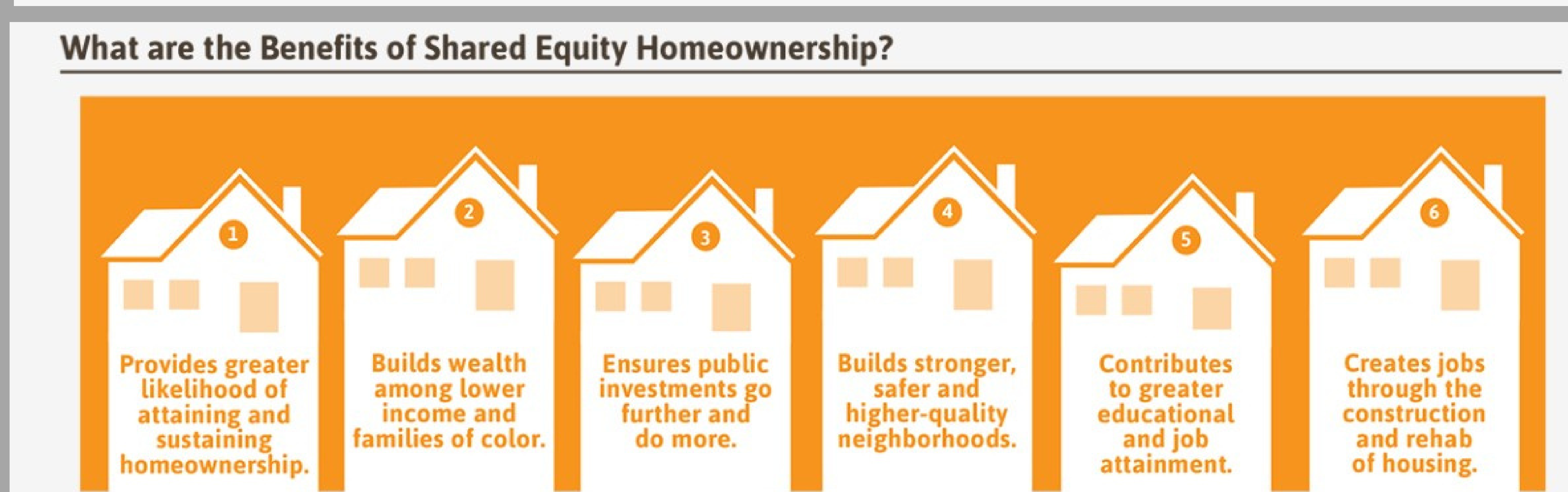

Photo source: Grounded Solutions Network

Initial Purchase of a Shared Equity Home

Home Value	$200,000
Subsidy	-$80,000
1st Sales Price	**$120,000**

	1st Sale			2nd Sale
Home Value	$200,000	$30,000 Appreciation		$230,000
Orig Subsidy	-$80,000	Buyer 1	Subsidy Growth	-$80,000
Appreciation	n/a	$12,000 (after 5 yrs) 2% increase per year	$18,000	
Sales Price	$120,000			$132,000

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