

## Orange County Resale Provisions

HOME funds used for homeownership assistance require an Affordability Period based on the amount of HOME assistance. The Orange County HOME Consortium will use resale provisions to enforce the HOME Affordability Period for all homeownership projects, including those in which direct assistance is provided to the buyer and homeownership unit development. Under the resale provisions, if homebuyers assisted with HOME funds choose to sell their HOME-assisted property within the HOME Affordability Period, they must sell to qualified low-income buyers and the resale price will be determined according to a formula that ensures affordability to the new buyer and a fair return on investment to the original HOME-assisted buyer.

The HOME Affordability Period for homeownership assistance is based on the level of assistance provided to fund a unit or as direct assistance to a buyer (see the chart below). Direct assistance to the homebuyer is defined as HOME funding that reduces the purchase price below fair market value and includes any down payment or subordinate financing provided on behalf of the purchase. Direct assistance does not include HOME funds provided to a developer to cover the unit production costs that do not reduce the purchase price below fair market value.

<b>HOME Funds Provided to a unit or as direct assistance to buyer</b>	<b>HOME Affordability Period</b>
<\$15,000	5 years
\$15,000 – \$40,000	10 years
>\$40,000	15 years

Resale provisions are enforced through the use of a Deed of Restrictive Covenants signed by the homebuyer at closing. The Deed of Restrictive Covenants will specify:

1. The length of the HOME Affordability Period (per the chart above);
2. The home must remain the owner’s principal residence throughout the HOME Affordability Period;  
and
3. The conditions and obligations of the owner should the owner wish to sell before the end of the HOME Affordability Period, including;
  - a. The owner must contact the Orange County HOME Consortium or its designated representative in writing if intending to sell the home prior to the end of the HOME Affordability Period;
  - b. The subsequent purchaser must be low-income as defined by HOME regulations, and occupy the home as their primary residence for the remaining years of the HOME Affordability Period (however, if the new purchaser receives HOME direct assistance, the HOME Affordability Period will be re-set according to the amount of assistance provided);  
and
  - c. The sales price must be affordable to the subsequent purchaser; affordable is defined as limiting the Principal, Interest, Taxes and Insurance (PITI) amount to no more than 30% of the new purchaser’s monthly income.

### Fair Return on Investment

The Consortium must ensure the owner receives a fair return on their investment and that the home will continue to be affordable to a specific range of incomes. To calculate the fair return on investment to the homeowner, the Consortium will:

- a. Determine the amount of market appreciation, if any, realized over the ownership term by calculating the difference between the initial appraised value at purchase and the current appraised value at resale. This figure represents the basis for calculating the fair return on investment. In declining markets, it is possible that the homeowner may not realize a return.
- b. Multiply the basis by the Federal Housing Finance Agency's Housing Price Index (HPI) to determine the fair return to the homeowner: <https://www.fhfa.gov/DataTools/Tools/Pages/HPI-Calculator.aspx>

To calculate the resale price to the next homebuyer, the Consortium will add the fair return on investment to the homeowner to the original affordable price of the home at purchase by the original buyer.

***Example #1:***

- Appraised (Fair Market) Value at Purchase: \$210,000
- Affordable Price at Purchase: \$190,000
- Appraised Value at Resale: \$240,300
- Increase in Market Appreciation:  $\$240,300 - \$210,000 = \$30,300$
- Average Appreciation in the Raleigh-Durham MSA (per the HPI Calculator): 29.4%
- Fair Return on Investment:  $\$30,300 \times 0.294 = \$8,908$
- Resale Price:  $\$190,000 + \$8,908 = \$198,908$

***Affordability to a Range of Buyers***

The Consortium will ensure continued affordability to a range of buyers, particularly those whose total household incomes range from 60 to 80% of area median income (AMI) as calculated by HUD for the HOME Program. Sales price will be set such that the amount of principal, interest, taxes, and insurance does not exceed 30% of the new buyer's annual income.

In the event the resale price required to provide a fair return exceeds the affordability to a range of LMI buyers, additional HOME funding will be provided to the subsequent buyer based on the level of funds required to make the unit affordable.

**Principal Residency Requirements**

Households receiving HOME-funded homeownership assistance will be required to occupy the home as their principal residence throughout the HOME Affordability Period.

In the event the original HOME-assisted homebuyer no longer occupies the unit as their principal residence (i.e., the unit is rented or vacant), the homeowner will be in violation of the terms of the HOME assistance. In cases of noncompliance, the Consortium will enforce the terms of the HOME written agreement to require repayment of any outstanding HOME funds invested in the housing. The amount subject to repayment is the total amount of HOME funds invested in the housing (i.e., any HOME development subsidy to the developer plus any HOME direct assistance provided to the homebuyer) minus any HOME funds already repaid (i.e., payment of principal on a HOME loan).

Noncompliance with principal residency requirements by a homebuyer is not considered a transfer and is not subject to resale provisions.

The Consortium will enforce these requirements through a HOME written agreement executed with the organization receiving the HOME award for homeownership activity to protect its investment and minimize its risk in HOME-assisted homebuyer projects in the event the homebuyer is in noncompliance.