

Hello Novato!



Info + Insights on Affordable Homeownership in Novato

Hello Housing is a non-profit organization working on behalf of the City of Novato to manage their Below Market Rate Homeownership Program. Our goal with this newsletter is to provide helpful information and resources that may benefit you and your family and to provide answers to your most Frequently Asked Questions.

Inside this Issue

- Upcoming Workshop: Resales & Transfers
- BMR Program Updates & Resources
- Allowable Appreciation in 2019
- Perspectives: Cash-Out Refinancing
- BMR Program Lenders for Refinancing
- Capital Improvements Checklist
- Frequently Asked Questions

Won't You Join Us?

Upcoming Workshop: BMR Resales & Transfers

Tuesday, September 17th, 2019, 7:00 pm

War Room at Meadow Park, 500 Palm Drive, Novato

Do you have questions about how much you can sell your BMR home for and how the resale process works? Do you have questions about who can inherit your BMR home or how to transfer your home into a trust? At the upcoming workshop, we will discuss the BMR program guidelines for resales, refinances, inheritance and other transfers of title. RSVP by calling (415) 863-3036 or by emailing isabel@hellohousing.org.

Welcome New Homeowners to the Novato BMR Community!

If you are one of the fourteen qualifying households who purchased a home through the Novato BMR Program last year, congratulations and welcome to the BMR Community! Hello Housing is available to answer any questions you may have regarding capital improvements, refinancing, selling your home, inheritance, transfers and more.

Housing and Financial Resources

Fair Housing Advocates of Northern California (formerly Fair Housing of Marin)

Are you facing foreclosure or having difficulty making your mortgage payments? Fair Housing Advocates of Northern California offers free foreclosure prevention services to homeowners in Marin, Sonoma, Solano, and Napa counties. As a HUD-approved Housing Counseling agency, their counselors can help you determine the best options and identify resources and programs specific to your needs. Visit www.fairhousingnorcal.org or call (415) 457-5025 for more information.



Send your answer* to hello@hellohousing.org by August 15, 2019 and be entered into a drawing for a \$50 gift certificate to Whole Foods

* ANSWERS MUST BE A MINIMUM OF 25 WORDS TO QUALIFY!

Did you know?

Area Median Income (AMI) increased by 15.54% in Marin County between 2018 and 2019. If you bought your home in 2004 through 2008, the increase in AMI since your purchase is now at 44.00%. This means the price you can sell your home for has gone up significantly since last year. Check out the Allowable Appreciation in 2019 on page 2 for more information on how much you can sell your home for.



Have questions? We have answers! Please email Program Manager Isabel Chalker at isabel@hellohousing.org or call (415) 863-3036. We'd love to hear from you!

Allowable Appreciation in 2019

How much was the increase to the Area Median Income in 2019?

Area Median Income (AMI) increased by 15.54% in Marin County between 2018 and 2019. If you bought your home in 2004 through 2008, the increase in AMI since your purchase is now at 44.00%. This means the price you can sell your home for has gone up significantly since last year. Check out the information below to learn more about the maximum amount you can sell your home for.

How much can I sell my home for?

Depending on the market conditions, your sales price will be limited by either (1) the Eligible Buyer Purchase Price as defined in the restrictions recorded on your home or (2) be limited by how much an eligible buyer is willing and able to pay for your home. Please take a few minutes to review the following information so you can understand these limiting factors and take them into consideration when contemplating the sale of your home.

1 Your sales price is limited by the Eligible Buyer Purchase Price as defined in the recorded restrictions.

The Affordability Covenant, signed by you when you purchased your home, is the document that governs the BMR program in the City of Novato. Section 4.5 of this Covenant includes a formula that calculates the “Eligible Buyer Purchase Price” based on your specific circumstances. You can think about the Eligible Buyer Purchase Price as the maximum amount you can sell your home for according to a calculation set forth in the program documents. Key variables in this calculation include:

- The original price you paid for your home
- The year you purchased your home
- The year you are selling your home
- The change in the Area Median Income as defined by the U.S. Department of Housing and Urban Development (HUD) between your purchase year and your sales year
- The depreciated value of any City-approved capital improvements, if applicable, at time of sale

The Area Median Income (AMI) is published annually by HUD, typically in April, and is therefore adjusted each year. The following chart can be used to show you the change in AMI between your original purchase year and the current year of 2019. For example, if you purchased your home in 2009, and are planning to sell in 2019, you would use 41.32% as the percentage change in Area Median Income. Please note that if a future change in the AMI is ever negative, the City will use 0% when calculating the Eligible Buyer Purchase Price, not a negative number.

Year of Purchase	2004-2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
% change in AMI as of 2019	44.00%	41.32%	37.63%	34.65%	32.82%	35.18%	40.89%	34.25%	27.02%	18.65%	15.54%	0%

2 Your sales price may be further limited by how much an eligible buyer is willing and able to pay for your home.

In a traditional sale of a home, sellers can compare their home to similar homes recently sold to determine a sales price. Below Market Rate (BMR) homes have unique restrictions, so sellers of BMRs do not have the benefit of looking at comparable homes recently sold in the area to use when determining a sales price. In fact, even similar homes within the same BMR development (e.g. same number of bedrooms and bathrooms) may not serve as comparable sales because they are restricted for sale to households with varying income levels. It is this restriction that allows the City to provide long-term affordable homeownership opportunities to future generations.

Perspectives: Cash Out Refinancing

With interest rates still relatively low and the prospect of rates rising in the near future, many homeowners are considering refinancing their mortgage loans. Some owners are concerned about their ability to access the equity they have in the homes when refinancing. Take a look at the information below to learn more about whether you qualify to take cash out of your home equity upon refinancing.

Can I borrow against my home equity?

One of the main goals of the BMR program is to allow low and moderate-income families to access benefits of homeownership, such as building equity when making housing payments. For this reason, the BMR program documents prohibit taking cash out when refinancing. However, on September 30, 2014, City Council approved a term-limited policy exception allowing limited cash out to eligible owners. See below for a list of eligibility requirements and examples. *Please note: Home Equity Lines of Credit and Reverse Mortgages are still prohibited. These can put homeowners and the City at financial risk and reduce the benefit of affordable housing programs.*



To qualify for a cash out refinance, you must:

1. Be current on your HOA dues;
2. Have provided a satisfactory response on the most recent owner-occupancy compliance monitoring;
3. Have no recorded notice of default (NOD) in the past 12 months on your first mortgage;
4. Not be requesting any write down of your City second loan nor have received a write down of their City second loan through a refinance within the prior five years;
5. Not otherwise be in default under the program documents, and
6. Meet the following underwriting standards (Hello Housing works with your lender to verify that these are met):
 1. The new first loan amount cannot exceed 65% of the restricted resale price as determined at the time of the refinance request, including the value of depreciated approved capital improvements
 2. No greater than 30% of household income can be spent on housing costs, including principal, interest, taxes, insurance and HOA dues
 3. No greater than 40% of household income can be spent on housing costs and consumer debt, including credit card debt, car loans, etc.

Example #1

- Restricted resale price: \$375,000
- Current mortgage balance: \$270,000
- Current household income: \$8,000/month
- Current consumer debt: \$200/month

The new loan amount is limited by the lowest of the three calculations in the underwriting standards shown above:

- 65% of restricted resale price: \$243,750
- Maximum loan amount that would keep housing costs below 30%: \$340,000
- Maximum loan amount that would keep housing costs + consumer debt below 40%: \$455,000

This family **does not qualify** for a cash out refinance. They currently owe \$270,000 but the maximum loan amount based on the three underwriting guidelines is \$243,750.

Example #2

- Restricted resale price: \$375,000
- Current mortgage balance: \$220,000
- Current household income: \$8,000/month
- Current consumer debt: \$200/month

The new loan amount is limited by the lowest of the three calculations in the underwriting standards shown above:

- 65% of restricted resale price: \$243,750
- Maximum loan amount that would keep housing costs below 30%: \$340,000
- Maximum loan amount that would keep housing costs + consumer debt below 40%: \$455,000

This family **qualifies** for up to \$23,750 in cash out with a refinance. They currently owe \$220,000 and the maximum loan amount based on the three underwriting guidelines is \$243,750.

BMR Program Lenders for Refinancing



Program Guidelines for Refinancing

If you wish to refinance your mortgage, you will first need to contact an experienced lender familiar with the City of Novato's BMR program (see list of lenders that the City is aware are familiar with the program to the right) and direct them to Isabel Chalker, who may be reached at isabel@hellohousing.org. Hello Housing will provide the lender a letter stating the BMR restricted value of your home and any other documentation requested. Sample subordination and program documents are available for lenders upon request to help determine if the 1st loan can work in conjunction with the City of Novato's BMR program. Please note that the City of Novato will only subordinate to a new 1st loan if you are receiving no cash out except for very limited circumstances (see page 4).

As of March 23, 2013, a \$550 refinance fee will be charged to the homeowner and due to the City of Novato upon closing in order to cover a portion of the costs associated with eligibility screening and preparation of subordination documents. This refinance fee can be financed and paid at closing.

What if I Want to Use a Different Lender?

You are welcome to work with lender who is not on this list, as long as they have contacted Hello Housing, have reviewed and approved of the BMR Program restriction documents, and the loan conforms with the City's program guidelines for refinancing. Lenders will be required to submit the several documents to Hello Housing as part of the refinance eligibility screening.

Lenders Familiar with the City's BMR Program

A small number of lenders are willing and able to lend on Below Market Rate homes. The following lenders have successfully closed loans within the City of Novato BMR program. Please be aware that lenders who have not pre-approved the City of Novato BMR loan program may have difficulties closing the transaction.

Jodi Fischer, Senior Loan Officer
All California Mortgage, a Division of American Pacific Mortgage
1202 Grant Avenue, Suite B-2
Novato, CA 94945
(415) 897-9103
jfischer@allcalifornia.com

Patricia Regan, Mortgage Loan Officer
Stearns Lending
775 Baywood Drive #308
Petaluma, CA 94954
(707) 508-8473
pregan@stearns.com

Sherrie Clark, Loan Officer
Mason-McDuffie Mortgage
2010 Crow Canyon Place, Suite 400
San Ramon, CA 94583
(707) 480-8655
sclark@masonmac.com

Sean Fitzgerald, Community Outreach Relationship Manager
First Republic Bank
111 Pine Street
San Francisco, CA 94111
(415) 296-5775
sfitzgerald@firstrepublic.com

✓ Capital Improvements Checklist

The Novato BMR Program allows certain improvements you make to your home to be captured in your home's restricted resale value. To determine whether your proposed home improvements can be considered as eligible capital improvements which will potentially increase the resale value of your home, please follow the steps listed below.

- Contact your HOA** to discuss the improvements you plan to make to your home and find out if they are allowed by the HOA.
- Obtain building permits** if necessary (visit <http://novato.org/home/showdocument?id=467> for a list of what requires a permit).
- Contact Hello Housing** to find out if the improvements count as eligible capital improvements per the definition in your Affordable Housing Covenants, Resale Restrictions and Option to Purchase Agreement.
- If requested by Hello Housing, submit a cost estimate** of the work you plan to have done, including materials and labor. Hello Housing will determine if the costs are reasonable based on industry standard.
- Hello Housing will provide a depreciation schedule** in writing for each approved item.
- Save all receipts and invoices** for the approved capital improvements once the work is complete.
- Submit receipts to Hello Housing** for the approved capital improvements via mail, email or fax.
- Hello Housing will provide a letter** with the approved costs and depreciation schedules for each approved item.
- If you decide to sell your home in the future**, Hello Housing will calculate the depreciated value of the approved capital improvements at the time of sale, and add this to the restricted value of the home.

What counts as a Capital Improvement?

Section 1.12 of the City of Novato Affordable Housing Covenants, Resale Restrictions and Option to Purchase Agreement, defines Capital Improvements as follows: "Capital Improvements" shall mean any capital improvements or upgrades made by Owner to the Unit which significantly increase the value of a Unit and which are pre-approved in writing by City. By way of example, upgrading an appliance shall not be a Capital Improvement, but upgrading all appliances, flooring, countertops and cabinetry in the kitchen could be approved by the City as a Capital Improvement under the particular circumstances presented.

Examples of Eligible Capital Improvements

- ✓ Upgrading from carpeting to hardwood or laminate flooring
- ✓ Remodels such as upgrading all appliances, flooring, countertops and cabinetry in the kitchen
- ✓ Installing an air conditioning system

Examples of Ineligible Capital Improvements

- Replacing a water heater
- Replacing existing carpeting with new carpeting
- Window coverings
- Painting
- Addition of closet shelving

Importance of Permits

Please make sure to check on whether a building permit is required by the City for any improvements you make to your home. If you do not take out a required permit, you may be responsible for paying penalty fees of three times the regular permit fee when you sell your home in the future. Any unpermitted work would also be required to meet current City code at the time of resale.

Please note that the installation of air conditioners DOES require a building permit. You can find out what requires a permit and what does not by visiting <http://novato.org/home/showdocument?id=467>.

Frequently Asked Questions



Can I rent out my home?

No. The development of affordable housing requires significant public investment. These public resources come with conditions that must be met after the homes are built. Your home was developed to be lived in by a homeowner. In contrast, there are affordable developments in Novato that can only be rentals.

Why do I have to recertify that I live in my home each year?

For the development of your home, the City of Novato made a substantial financial investment of public funds to provide and maintain an important supply of affordable housing that is specifically intended to be lived in by owners. As homeowners, you gain the benefits of homeownership such as building equity in your home over time instead of paying monthly rent, greater stability in your monthly housing payments and the freedom to make your home just as you'd like it.

The "Affordable Housing Covenants, Resale Restrictions and Option to Purchase Agreement" you signed when purchasing your home states that the City may request that you submit an affidavit each year certifying that you live in your home as your principal residence and that you are not renting or leasing any portion of the home. It is important that the City track homeowners' compliance with these requirements each year - when a homeowner fails to honor the commitment they made when buying a BMR home, it reduces the opportunity for others to benefit and puts innovative programs like this at risk. Not providing the requested documentation may trigger further investigation and potential legal action. Your investment of time in submitting a response to each annual request is a vital component to ensuring that the BMR Program is serving its intended purpose and we appreciate your diligence in participating each year!

Can I add a family member or friend to my home's deed?

No. The BMR Program prohibits transfers of title or transfers of interest in the home to anyone except to a spouse in conjunction with marriage. Please contact Hello Housing if you have questions about these requirements. You can also learn more by attending the upcoming workshop on Resales and Transfers. See page 1 for the workshop time and location.

Can my children inherit my home?

It depends. An owner's children (natural or adopted) or surviving spouse or surviving joint tenant could inherit their home as long as they agree to comply with the BMR program requirement of Owner Occupancy. If they prefer not to reside at the home, they could sell it and receive the proceeds. If the heir is someone other than your child, spouse or joint tenant, the home would need to be sold and the heir would receive any proceeds of the sale. PLEASE NOTE: The BMR Program does not allow for your children or other individuals who were not co-purchasers (except for a spouse) to be added to your home's title. Please consult with an estate planner if you'd like to pass your home on to your children or someone else. You can also learn more by attending the upcoming workshop on Resales and Transfers. See page 1 for the workshop time and location.

Can I refinance and get cash out?

The BMR program documents prohibit taking cash out. However, on September 30, 2014, City Council approved a term-limited policy exception allowing limited cash out to eligible owners. Please contact Isabel Chalker at isabel@hellohousing.org to learn more and to learn whether you may be eligible.

What about Home Equity Lines of Credit and Reverse Mortgages?

Home Equity Lines of Credit and Reverse Mortgages are prohibited. One of the main goals of the BMR program is to allow low and moderate-income families to access benefits of homeownership, such as building equity when making housing payments. Home Equity Lines of Credit and Reverse Mortgages can put homeowners and the City at financial risk and reduce the benefit of affordable housing programs.

Let us know how we're doing by sending an email to hello@hellohousing.org with any feedback or suggestions.