MISSION - To serve as a leader in community development initiatives that build economically sustainable neighborhoods in Mechanicsville and the State of GA.

VISION - To transform Mechanicsville and the State of Georgia by providing housing, economic development, and education to neighborhoods, which will change the perception of community development.
How to Buy a Home?

Community Information Session

Felicia Hicks, Program Manager

www.summechcdc.org
info@summechcdc.org
Today We’ll Discuss

- SUMMECH – Who are We
- Renting v/s Buying
- How Your Credit Affects You
- Homebuying Process
- Loan Application Process
- Resources
- Questions
Renting v/s Buying

Renting

**Advantages**
- Short term commitment
- Low Maintenance
- No Responsibility for repairs

**Disadvantages**
- No tax benefit
- Rent increases
- No equity is accumulated
Renting v/s Buying

Buying

Advantages
- Tax Advantages
- Stability
- Equity
- Pride of Ownership

Disadvantages
- Upfront Costs
- Maintenance & Repairs
- Monthly Costs
- Decreased Mobility
How Your Credit Affects You

• When you look for a mortgage, lenders will review your credit report, which is a history of how you have managed your finances and repaid debt.

• Ideally, you will have established:
  At least three lines of credit
  Made payments on time for at least one year.
What a FICO Score Considers

- Payment History 35%
- Amounts Owed 30%
- Length of Credit History 15%
- Types of Trades 10%
- Inquiries 10%

Your FICO score is part of the mortgage information that will dictate whether or not your application is approved. Your FICO score may also be a factor in determining the mortgage interest rate you pay.

Important FICO Milestones
- 720
- 680
- 620
Perform Your Own Credit Check

Through [www.annualcreditreport.com](http://www.annualcreditreport.com), you can obtain one FREE credit report a year from each of three major credit reporting agencies: Equifax, Experian, TransUnion. Your personal inquiry does not affect your credit report.

**Take the free offer because:**

- You’ll know where you stand
- You’ll have a starting point for improving your score
- About 25% of all credit reports contain mistakes

Your FICO score is based on one or a combination of these credit reports. If there is an error on your credit report, you need to dispute it to get it corrected.
Steps in the Homebuying Process

1. Attend Homebuyer Education
2. Determine Affordability
3. Get Pre-Approved
4. Determine House Needs
5. Shop for a Home w/ Realtor
6. Make an Offer
7. Get Professional Inspection
8. Finalize Loan
9. Get Insurance
10. Close
How Much Can You Afford?

Determined by two factors

Income - money earned through employment and investments.

Debt ratio - A ratio that indicates what proportion of debt a person has relative to its assets.
Ratios are expressed in percentages:

33/38

The first number is the housing, or front-end ratio; and the second number is the debt-to-income, or back-end ratio.
Maximum House Payment

Gross Monthly Income × Housing Ratio = Maximum House Payment

$2200 × .33 = $726

The housing ratio is the maximum percentage of a borrower’s income that can be used for the monthly house payment (including principal, interest, taxes, insurance, mortgage insurance and homeowner association or condo fees)
The debt-to-income ratio is the maximum percentage of a borrower’s income that can be used for the monthly house payment plus all creditor debts.
### What can you REALLY Afford?

<table>
<thead>
<tr>
<th>Visa</th>
<th>$55</th>
</tr>
</thead>
<tbody>
<tr>
<td>Macy’s</td>
<td>$23</td>
</tr>
<tr>
<td>Car loan</td>
<td>$172</td>
</tr>
<tr>
<td>Student loan</td>
<td>$75</td>
</tr>
</tbody>
</table>

**Current Debt Load**

\[
75 + 55 + 23 + 172 = 325
\]

**Maximum Debt Payment**

\[
836 - 325 = 511
\]

**True Maximum House Payment You Can Afford**

\[
511
\]
How Much Can I Afford

For Example: FHA Loan Program on a 30-year Fixed Rate Loan with an APR of 5.4%

**Down Payment**
- Sales Price: $175,000.00
- 3.5% Down: $6,125.00
- MIP 1.75%: $2,955.00
- Total Loan Amount: $171,830.00

**Payments**
- Principal and Interest at 5.00%: $922.42
- Taxes 1.25%: $182.29
- Fire Insurance .30%: $48.13
- FHA MIP Insurance: $78.75
- Total Housing: $1,231.59

**Costs example**
- Estimated points: $1,688.75
- Interest rate selected (example based on 1% of loan amount): $1,395.00
- Estimated Lender’s Fees: $1,300.00
- Estimated Escrow/Attorney/Settlement Fees: $1,000.00
- Estimated Prepays (Taxes, Insurance, Interest): $5,383.75
- Total closing costs: $6,125.00
- Down Payment: $11,508.75

- A down payment (varies by loan program – which you select with your Loan Officer)
- Closing costs
- Other housing related costs – mortgage payments, repairs, PMI
Costs Associated with Purchasing a Home

**Up-front Costs**
- Downpayment
- Earnest Money
- Closing Costs
- Cash Reserves
- Home Inspection

**Settling in Costs**
- Moving Expenses
- Utilities
- Minor Repairs

**Ongoing Costs**
- Mortgage Payment
- Homeowner’s Assoc. Fee
- Utilities
- Maintenance
What Does a House Payment Include?

- Principal
- Interest
- Taxes
- Insurance

Funds to pay your tax and insurance bills, as they come due, are held in escrow.
Loan Application Process

- Provide recent 2-3 months of pay stubs
- Last 2 years worth of tax returns/W-2
- Provide recent 3-6 months of bank statements
- Proof of any additional income such as alimony, child support, pensions etc.
- Copy of Residential Lease Agreement
What is the Right Loan for Me?

- Customized loan to meet YOUR needs
- USDA for qualified neighborhoods 0% Down
- VA for qualified Veterans 0% Down
- FHA 3.5% Down
- CONVENTIONAL 5-20% Down
- Renovation Loans
- Down Payment Assistance Available
Homebuying Team

- Real Estate Agent
- Lender
- Closing Attorney
- Inspector
- Appraiser
- Insurance Agent
- Housing Counselor
KISS YOUR LANDLORD GOODBYE!

counseling • workshops • referrals • whatever it takes • call us

SUMMECH Community Development Corporation
(404) 527-5465

www.summechcdc.org
info@summechcdc.org
Q & A
Community Land Trusts (CLT): A New Tool for Atlanta Homebuyers

Community Information Session

Amanda Rhein, Executive Director
@atlandtrust
atlantalandtrust.org
Agenda:

1. Atlanta Land Trust & Community Land Trust Overview
2. ALT Homebuying Process
3. Area of Focus & Available Properties
4. Financial Education Requirements
5. Resources for Financing ALT Properties
6. Questions
Agenda:

1. Atlanta Land Trust & Community Land Trust Overview
2. ALT Homebuying Process
3. Area of Focus & Available Properties
4. Financial Education Requirements
5. Resources for Financing ALT Properties
6. Questions
MISSION: The mission of the Atlanta Land Trust (ALT) is to deliver and steward permanently affordable housing proximate to the Atlanta BeltLine and other targeted areas in the city of Atlanta.

VISION: The Atlanta Land Trust will be the primary community land trust in the city of Atlanta and the largest urban community land trust in the United States.
How does a Community Land Trust work?

1. Community land trusts use various sources of capital to acquire/develop homes in a geographic focus area.

2. A new income-qualified resident buys and owns their house outright, but the CLT retains ownership of the land.

3. As long as the homeowner stays in the house, they are building equity.

4. The new resident is still able to buy a home at a price that's been kept affordable, and agrees to the same requirements around the resale.

Funding sources include:
Foundations
Public entities (federal, state, and local)
Financial institutions
Private donors

Residents have the opportunity to serve on the CLT board of directors.

When they are ready to sell, the CLT sets a price that allows them to earn a portion of the equity while maintaining an affordable price.

58% of CLT homebuyers go on to buy a market rate home, using the equity they gained by being a CLT homeowner.

©2019 Atlanta Land Trust
Benefits of CLT Homeownership:

CLT homeownership mitigates the risks of traditional homeownership, strengthens residential stability, and promotes equitable wealth building.

1. Community Control: CLTs take land out of the speculative real estate market and put it community control.
2. Housing Stability: The average annual move rate for shared equity households is 2.6 percent compared to 14 percent of all households nationwide. CLT homeowners also benefit from predictable and consistent monthly housing costs.
3. Pathway to Traditional Homeownership: When shared equity households sold their homes and moved, the majority (58 percent) choose to purchase again.
4. Wealth Creation: The median shared equity household accumulates approximately $14,000 through a median equity investment at purchase of $1,875. Balance between Wealth Creation + Affordability
Facts About CLT Homeownership:

- CLT home is governed by a long-term ground lease and a special warranty deed on improvements.
- CLT home can transfer to heirs upon death of homeowner.
- ALT has an option to purchase the home from the homeowner – option to purchase.
- Homeowner’s insurance + flood insurance if home is in an NFIP defined flood zone.
- Leasing/subleasing – prohibited, but will consider in extenuating circumstances.
- Financial responsibilities:
  - Monthly Lease Fee (land use fee, repair reserve)
  - Property Taxes (homestead exemption eligibility targeted for 2020)
  - Utilities
Common CLT Terms:

- **Subsidy**: Funds provided to reduce the initial cost of housing
- **Area Median Income (AMI)**: Median income for a certain area, usually adjusted for household size (HUD)
- **Income-qualified**: Household with income below a certain threshold
- **Formula, CLT or Base Price**: Price of home after subsidy
- **Resale Formula**: A formula determining the maximum price for which a specified property can be resold
- **Resale Price**: Maximum price for which improvements on CLT land may be sold

<table>
<thead>
<tr>
<th>AMI Level</th>
<th>1 Person</th>
<th>2 Person</th>
<th>3 Person</th>
<th>4 Person</th>
</tr>
</thead>
<tbody>
<tr>
<td>30% AMI</td>
<td>$16,750</td>
<td>$19,150</td>
<td>$21,550</td>
<td>$25,750</td>
</tr>
<tr>
<td>50% AMI</td>
<td>$27,900</td>
<td>$31,900</td>
<td>$35,900</td>
<td>$39,850</td>
</tr>
<tr>
<td>60% AMI</td>
<td>$33,480</td>
<td>$38,280</td>
<td>$43,080</td>
<td>$47,820</td>
</tr>
<tr>
<td>80% AMI</td>
<td>$44,640</td>
<td>$51,040</td>
<td>$57,440</td>
<td>$63,760</td>
</tr>
<tr>
<td>100% AMI</td>
<td>$55,800</td>
<td>$63,800</td>
<td>$71,800</td>
<td>$79,700</td>
</tr>
</tbody>
</table>
ALT uses two resale formulas:

**Appraisal-Based**
The homeowner’s initial purchase price is increased over time by a specified percentage of the increased market value. Market value is determined by an appraisal at the time of purchase and the time of resale.

**Fixed-Rate**
The homeowner’s affordable purchase price is increased over time by a fixed annual percentage of either simple or compound interest. The most common are between 1%-2%.
Resale Formula in Action:

The first unit was placed into the Atlanta Land Trust in 2012. This condominium was sold to an officer of the Atlanta Police Department. Six years later, when he sold his home, the property’s deed restriction dictated the resale price and established income limits for future homebuyers. He was able to share in 25% of the appreciation of the home over the six years he owned the unit. The home was then resold at an affordable price to a healthcare worker whose income did not exceed 80% of the area median income, preserving its affordability.

### Unit 110, 890 Memorial Drive

<table>
<thead>
<tr>
<th></th>
<th>2012 Purchase</th>
<th>Sale in 6 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated Market Value</td>
<td>$150,000</td>
<td>$400,000</td>
</tr>
<tr>
<td>Community Land Trust Discount</td>
<td>-$100,000</td>
<td></td>
</tr>
<tr>
<td>Reduced Purchase Price</td>
<td>$50,000</td>
<td>$250,000</td>
</tr>
<tr>
<td>Mortgage Amount</td>
<td>$45,000</td>
<td>$62,500</td>
</tr>
<tr>
<td>Estimated Monthly Payment</td>
<td>$500</td>
<td></td>
</tr>
<tr>
<td>Market Rate Value of Home</td>
<td></td>
<td>$112,500</td>
</tr>
<tr>
<td>Total Appreciation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>25% of Appreciation</td>
<td></td>
<td>-$45,000</td>
</tr>
<tr>
<td>Sale Price</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less Remaining Mortgage Balance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity to Homeowner at Sale</td>
<td></td>
<td>$67,500</td>
</tr>
</tbody>
</table>
Agenda:

1. Atlanta Land Trust & Community Land Trust Overview
2. Homebuying Process
3. Area of Focus & Available Properties
4. Financial Education Requirements
5. Resources for Financing ALT Properties: Downpayment Assistance
6. Questions
Homebuying Process

1. LEARN ABOUT OUR PROGRAM
   • Review the qualification criteria
   • Attend a Community Information Session

2. DETERMINE PROGRAM ELIGIBILITY
   • Complete the electronic Atlanta Land Trust Program Application
   • Submit income-verifying documentation
   • Schedule and attend one-on-one counseling session with RRC

3. COMPLETE HOMEBUYER EDUCATION AND GET MORTGAGE PRE-APPROVAL
   • Attend Homebuyer Education Class and obtain Certificate
   • Obtain a mortgage loan pre-approval letter from an ALT-approved lender

4. FIND YOUR NEW HOME
   • Select an available ALT home of your choice
   • Enter into contract on the available ALT home of your choice
   • Review of the terms of your ground lease
   • Complete closing, sign your ground lease and move into your new home
Agenda:

1. Atlanta Land Trust & Community Land Trust Overview
2. Homebuying Process
3. Area of Focus & Available Properties
4. Financial Education Requirements
5. Resources for Financing ALT Properties: Downpayment Assistance
6. Questions
ALT Focus Area

Subarea 1: 23 units
Subarea 2: 10 units
Subarea 4: 3 units
Subarea 10: 26 units
West Atlanta Preservation Initiative
Agenda:

1. Atlanta Land Trust & Community Land Trust Overview
2. Homebuying Process
3. Area of Focus & Available Properties
4. Financial Education Requirements
5. Resources for Financing ALT Properties
6. Questions
Financial Education Requirements

1. COMMUNITY INFORMATION SESSION
   • Hosted monthly by ALT

2. ONE ON ONE COUNSELING SESSION
   • Conducted by Resources for Residents and Communities
   • ALT to assist with scheduling appointment and collecting required documentation (credit report, income statements, bank statements, W-2 forms and tax returns)
   • Topics covered include:
     • Financial readiness, including budgeting and spending
     • Overview of community land trust model, including review of legal documents, including Ground Lease
     • Staying in your home and preparing for the future

3. HOMEBUYER EDUCATION COURSE
   • Conducted by a HUD-approved Housing Counseling Agency
   • Topics covered include:
     • Budgeting and money management
     • Insurance
     • Community engagement
     • Credit
     • Down payment assistance programs
Agenda:

1. Atlanta Land Trust & Community Land Trust Overview
2. Homebuying Process
3. Area of Focus & Available Properties
4. Financial Education Requirements
5. Resources for Financing ALT Properties: Downpayment Assistance
6. Questions
Mortgage Products

Homebuyers must use an ALT-approved lender for their home loan.

LOAN PRODUCTS
• Fannie Mae Conventional Loans
• Freddie Mac Conventional Loans
• Portfolio Loan
• Housing Finance Agency Loans
• VA Loans
**Downpayment Assistance: Invest Atlanta**

**ATLANTA AFFORDABLE HOMEOWNERSHIP PROGRAM (AAHOP)**
- Up to $14,000 towards down payment and closing costs in form of a 0% soft second mortgage
- Household income cannot exceed 80% of area median income, must be first-time homebuyer
- If property is sold before 5 years, portion of loan must be repaid

**INTOWN MORTGAGE ASSISTANCE PROGRAM (IMAP)**
- Up to $10,000 towards down payment and closing costs in the form of a 0% soft second mortgage
- Household income cannot exceed 120% of area median income
- If property is sold before 10 years, loan must be repaid plus a percentage of any Gain

**REQUIREMENTS:**
- Attend Invest Atlanta’s Homebuyer Q & A Session
- Enroll in a qualified Homebuyer Education Class
- Obtain prequalification with a Participating Lender
- Home must be within Atlanta city limits
Downpayment Assistance: Atlanta Housing

HOMEOWNERSHIP ASSISTANCE PROGRAM
• $20,000 to $25,000 towards down payment and closing costs in form of a 0% soft second mortgage
• Household income cannot exceed 80% of area median income, must be first-time homebuyer
• If property is sold before 10 years, portion of loan must be repaid plus a portion of the appreciation realized

REQUIREMENTS:
• Enroll in a qualified Homebuyer Education Class
• Contact a Participating Lender to get prequalified
• Find a home inside the city limits of Atlanta
Agenda:

1. Atlanta Land Trust & Community Land Trust Overview
2. Homebuying Process
3. Area of Focus & Available Properties
4. Financial Education Requirements
5. Resources for Financing ALT Properties: Downpayment Assistance
6. Questions