August 13, 2007

Vermont Housing & Conservation Board
Single Family Housing
Guidelines for Buyer Eligibility and Assets

The following guidelines will be employed by VHCB in its review of the assets (see definition below) of persons seeking to participate in VHCB-funded homeownership purchases. VHCB-funded purchases include those purchases assisted by a VHCB homeownership program or a site-specific funding award. Resales of homes previously restricted by VHCB are also subject to these guidelines. **The one exception will be homes developed by non-profit sponsors - for these VHCB can exclude the assets in the calculation that will be used for investment in the home. This will not apply to turn-key projects that are being marketed by non-profits.** The rationale for this exclusion is that there is already a public investment in these projects.

For each proposed purchase of a home, the non-profit sponsor must demonstrate the applicant's need for assistance by submitting documentation of the buyer's annual income, financial assets and liabilities, and any unique personal circumstances related to the need for affordable housing.

The proposed purchase must comply with VHCB's guidelines concerning buyers' minimum cash contribution toward the purchase of homes.

Proposed buyers will be considered ineligible if they could purchase a home at the median price (as defined below) for all home sales in the county in which the nonprofit sponsor operates on the basis of their annual income, their assets, and without the benefit of VHCB funding. In calculating an applicant's ability to afford a proposed home purchase, VHCB shall employ the following standards and assumptions:

1. The median home price used in the analysis shall be for the previous full year and be obtained from the Vermont Housing Data website (www.housingdata.org) or a comparable source if that website is no longer available.

   - for 1 person households 85% of the median home price shall be used in the calculation;
   - for 2 person households 90% of the median home price shall be used;
   - for all other households 100% of median shall be used in the calculation.

2. A PITI mortgage underwriting calculation using the following assumptions:

   - a lower limit of 30%;
   - projected taxes for the home from a calculation based upon the median total tax rate for the county for the previous year and available from the Vermont Department of Taxes website and 90% of the median sale price as defined above and adjusted for household size;
   - projected insurance costs based upon current industry standards;
   - current rates for VHFA's MOVE program plus 100 basis points for a 30 year mortgage term with no points charged.

3. In calculating the applicant's ability to afford such a purchase, the amount of the applicant's assets equal to $10,000 multiplied times the number of members of the applicant's household shall be excluded.

4. For applicants aged 62 years of age or older, the amount of assets excluded from the calculation shall be equal to $20,000 multiplied times the number of members of the household.

5. Notwithstanding the above, any household with $60,000 or less in non-retirement assets shall be allowed to participate in VHCB funded homeownership purchases.

Assets are defined as:

a. Cash savings, including but not limited to bank accounts, credit union accounts, certificates of deposit, and money market funds;

b. Marketable securities, stocks, bonds and other forms of capital investment;

c. Inheritance and lump sum insurance payments, already received;

d. Settlements for personal or property damage already received;

e. Equity in real estate, except as stated below; and

f. Other personal property that is readily convertible into cash.

The following are not considered assets:

a. Ordinary household effects including furniture, fixtures, and personal property;

b. Automobiles used for personal use;

c. Equity in the parcel or lot on which an owner-builder unit is to be built, or in the case of foreclosure prevention scenarios, equity in the home being subsidized; and

d. Cash, securities, stocks, bonds and other forms of capital held in a tax deferred retirement plan recognized by the Federal Internal Revenue Service.