



Oakland Community Land Trust

Homebuyer Purchase Manual

Updated April 2023



MANUAL OVERVIEW

This manual is intended to provide prospective Oakland Community Land Trust (OakCLT) homeowners with an overview of the guidelines, responsibilities, restrictions, and process for OakCLT homeownership. More detailed information about these restrictions and responsibilities are provided in documents that you will sign when you purchase your OakCLT home. These documents include:

- *Ground Lease and Purchase Option (Ground Lease)* – this document provides specific details on buyer responsibilities and restrictions related to OakCLT homeownership
- *Memorandum of Ground Lease* – a document that provides public notice that this property is subject to an affordability covenant and resale restriction
- *Letter of Stipulation* – this document is a letter to OakCLT from you indicating that you understand and agree to the key provisions of the Ground Lease.

OakCLT homeownership opportunities are often supported through subsidies provided by local, state, or federal programs. Therefore, in addition to following any program goals that OakCLT has established, all OakCLT rules and guidelines must also adhere to any provisions established by either the City of Oakland, County of Alameda, State of California, or the Federal government, depending upon the source of public subsidy for each home. This manual provides a non-exhaustive overview of those provisions, and at times excerpts directly from these guidelines. Notwithstanding these requirements, OakCLT may adjust these requirements as needed to fulfill the mission of the organization. OakCLT understands that some people have unique circumstances that do not always fit neatly into program requirements. If you have any questions about eligibility requirements before you purchase, you must communicate them to OakCLT before you submit your application. If you have questions about limitations once you are a homeowner, you should reach out to a staff member at OakCLT. We are here to support you!

This manual is to be reviewed prior to purchasing your OakCLT home and can be used as a general reference guide after you have purchased your OakCLT home. **This manual does not replace the terms and conditions outlined in the documents listed above. You should read and understand the legal documents before signing them.**

PLEASE READ THROUGH THE ENTIRE MANUAL AND INITIAL EACH PARAGRAPH AS YOU READ IT. AT THE END, YOU WILL BE ASKED TO ACKNOWLEDGE THAT YOU HAVE READ AND UNDERSTOOD THIS DOCUMENT.

Table of Contents

Manual Overview	1
Table of Contents	3
Community Land Trusts	5
Permanent Affordability	5
Discounted Home Price	5
Restrictions on Transfer and Resale	5
Purchasing an OakCLT Home	6
Homeownership Eligibility & Requirements	6
Low Income Restrictions	6
Determining Household Size	6
Sources of Income	7
Documenting Income	7
Minimum Household Size Related to Bedroom Count	7
Mortgage & Financing Requirements	7
First Loan Requirements	8
Credit Capacity	8
Down Payment Requirement & Treatment of Assets	8
Gifts	9
Down Payment Assistance	9
First Time Homebuyer Status – Not Required to Purchase an OakCLT Home	9
Homebuyer Education	9
Attend an OakCLT Homebuyer Information Session	9
Homebuyer Selection Criteria	10
OakCLT Purchase Process	10
1. Applicant Prepares for Homeownership	10
2. Applicant Reviews Available Home	10
3. Application Submission	10
4. OakCLT Screens Applicants for Baseline Eligibility + Selection Criteria	10
5. OakCLT Identifies Candidates from Applicants Meeting Baseline Eligibility	10
6. Applicant Enters into Contract to Purchase	11
7. Closing	11
Owning Your OakCLT Home	11
Overview of Restrictions and Considerations	11
Price restrictions	11
Resale restriction	11

Ground Lease fee	11
Refinancing limitations	11
Owner Occupancy / Not an investment property	12
Willing your home	12
Accountability	12
Overview of Benefits	12
Ability to become a homeowner	12
Reduced cost of ownership	12
Price stability and appreciation	12
Building equity through the reduction of loan principal	12
Building and Preserving Community	13
Homeownership Rules and Compliance	13
Responsibilities of Ownership	13
Make your housing related payments on time	13
Homeowners Insurance	13
Maintaining your home	13
Not an investment or rental property	13
Defaults	14
Financial default	14
Technical defaults (non-financial defaults)	14
Remedies for Default	14
Resales, Refinancing, and Inheritance	15
Calculating Your Resale Price	15
Capital Improvements	15
Deferred Maintenance	15
Refinancing Guidelines	16
Heritability	16
Exhibit A - Income Qualification, Inclusions & Exclusions	18
Exhibit B - Computing Assets & Annual Income	19

Community Land Trusts

Community Land Trusts (CLTs) are nonprofit organizations established for the purpose of creating permanently affordable homeownership opportunities for individuals and households with limited resources. The primary objective of OakCLT is to create permanently affordable homeownership opportunities on community-owned and governed land in Oakland. CLTs are able to create permanent affordability by separating the cost of the house from the cost of the land. To do so, ***OakCLT sells the house to the homebuyer, but retains ownership of the underlying land. OakCLT leases the underlying land to the OakCLT homebuyer through a 99-year renewable ground lease.*** This removes the land from any potential for speculation, keeps the building *permanently affordable* for low-income households, and prevents it from being sold to investors. CLTs thus help residents to build wealth and self-determination through affordable ownership and bring stability to the overall community.

Permanent Affordability

Discounted Home Price

The OakCLT home you are buying is being sold to you at a reduced price to make it affordable to you and your household. The primary factors that establish the purchase price of an OakCLT home include:

- *Income levels and household size* — OakCLT is designed to reach households earning at or below 80% of the area median income (AMI). The AMI is established annually by the US Department of Housing and Urban Development (HUD) and the California Department of Housing and Community Development (State HCD).
- *House Size (# of Bedrooms)* — the greater the bedroom count the larger the household size a housing unit can accommodate. A larger sized household is assigned a higher level of income for qualifying purposes; therefore, increasing the overall price of the unit.
- *Homeownership costs* — to determine an affordable price, OakCLT considers the full range of expenses that homeowners need to pay on a monthly basis. Costs applied towards establishing the OakCLT purchase price include: the mortgage (which incorporates current interest rates and a modest down payment), the ground lease fee, property taxes, insurance, and an allowance for maintenance and utility costs.

By selling you this home at a discounted price, OakCLT is helping to keep your monthly costs lower than a market-rate home, and therefore assuring the home's permanent affordability for you.

Restrictions on Transfer and Resale

Permanent affordability also means that OakCLT homes, upon resale, must be sold to another household earning at or below 80% AMI at a price determined by the resale formula (***not by market conditions***). The affordability requirement stays with the house forever and will be transferred to all future homebuyers. See details around resales below.

This resale structure allows an OakCLT homeowner to build some wealth while keeping the house affordable for the next household to purchase. It also ensures that the home goes to another low-income homebuyer and not to an investor, and prevents any speculation on the future value of the house by decoupling its value from market conditions.

Purchasing an OakCLT Home

Homeownership Eligibility & Requirements

Low Income Restrictions

OakCLT homes are designed to create affordable homeownership opportunities for low-income households. The qualifying income for purchase of an OakCLT home is at or below 80% of the area median income as established by the US Department of Housing and Urban Development (HUD), and is updated on an annual basis. AMI calculations are based on *gross income levels*, not take-home pay. The matrix below represents the 2022 HUD-defined *gross income* levels for Oakland based on household size. Households that exceed the figures below are ineligible to purchase an OakCLT home, unless they are currently renting a unit from OakCLT, in which case they are eligible to purchase the unit that they are currently living in regardless of income level.

Household Size	1	2	3	4	5	6	7	8
80% AMI	\$76,750	\$87,700	\$98,650	\$109,600	\$118,400	\$127,150	\$135,950	\$144,700

OakCLT homeowners will retain their ownership eligibility even if their incomes increase and exceed the maximum income allowance after purchase of the property. Changes in household size also do not adversely affect ownership eligibility of an OakCLT home after purchase.

Determining Household Size

All household members are considered when determining household size *except* the following:

1. Foster children
2. Live-in aides and their children,
3. Unborn children
4. Children being pursued for legal custody or adoption who are not currently living in the household.

A child who is subject to a shared-custody agreement may be counted if the child resides with the household at least 50% of the time.

Household members should include dependents claimed on the buyer’s tax return and co-buyers that will be on title, but **not** roommates or house guests. Dependents and co-buyers must reside in the home. OakCLT recognizes that “household” and “family” are not always interchangeable, and household compositions are not always simple. Applicants should provide an explanation for any household arrangements that fall outside of these guidelines. In most cases all adult and minor dependents will appear on Federal Income Tax Returns. Recent changes in household

composition or household members that exist outside of tax returns must be verified by other means.

Sources of Income

OakCLT considers the gross income from *all household members 18 years and older* living in the unit when establishing the household gross income, regardless of whether they are borrowers on the first mortgage. This includes any known changes in projected income, such as a scheduled pay raise or a new job. Sources of income applied to the earnings qualification calculation, include, but are not limited to: salary, wages, retirement income, workers compensation, unemployment, disability compensation, part time employment, rental income from investment property, alimony, child support, interest or dividend income, capital gains, or any other regular and consistent payments. For a complete list of included and excluded income sources see Exhibit A.

Documenting Income

For potential homebuyers, OakCLT will review tax returns from the previous three years, the previous year's W-2s, and the most recent month of consecutive paycheck stubs with year to date totals to further verify sources and amounts of household income. These items will also be reviewed at the time the purchaser is obtaining approval on their first mortgage, though a lender may have different methods of calculating household income and may request different documentation.

To calculate the eligibility income for a self-employed borrower, the two most current tax returns and current profit and loss statement will be used to project annual income for the next twelve months unless evidence to the contrary is provided. Deductions for depreciation, depletion and business use of the home are added back to gross income. Negative net self-employed income may not be used to reduce wage or other income when calculating household eligibility. Note that negative net income may affect qualifying income to support the monthly housing costs.

Minimum Household Size Related to Bedroom Count

The size of a unit that a given household can apply to depends on the number of bedrooms in that unit and the size of that household. The relationship between the minimum household size and maximum bedroom allowance is as follows:

Number of Bedrooms in Home	1	2	3	4
Minimum Household Size	1	1	3	4

Mortgage & Financing Requirements

All potential home buyers must qualify for a first mortgage with an OakCLT-approved lender. All-cash purchases are not permitted. OakCLT is working to expand its list of approved lenders, however most lenders will not approve a mortgage where the structure is purchased without the land. For our updated list of lenders, see the property disclosure packet or attend a home buying information session.

First Loan Requirements

For an OakCLT home that has been supported with funds from the City of Oakland, the City housing department must approve all OakCLT homebuyer loans. Minimum and maximum requirements established by the City may not always match up with the requirements of a lender. The City will only approve buyers who secure loans from an institutional lender or a public agency that have a thirty (30) year, amortizing term with a reasonable fixed interest rate, based on current market conditions. The loan cannot include any of the following terms: negative amortization, balloon payments, interest only, or any other provision which the City determines will create future hardships or additional monthly housing cost obligations.

The City also sets limits on your monthly debt payments and housing costs as they relate to your monthly gross income. The total ratio of your monthly housing costs (principal, interest, taxes, insurance, ground lease, estimated utilities, and maintenance reserve) to your monthly gross income (“front-end-ratio”) cannot be less than 25%. The ratio of all of your total existing monthly debt payments plus your new monthly mortgage payment compared to your gross monthly income cannot exceed 45% (“back-end ratio”). The City may increase the maximum back-end ratio to 50% on a case-by-case basis.

OakCLT follows these first loan requirements even when City funding is not present in a homesale.

Credit Capacity

The buyer must have established good credit. Generally, a minimum FICO score of 640 is required to obtain a standard “A rated” first loan. If the buyer does not have an established credit history, lenders will look at alternative credit sources, such as rental history and utility payments to assess the buyer/borrowers’ past credit capacity.

Down Payment Requirement & Treatment of Assets

Down Payment requirements are influenced by the presence of public subsidy. Generally, OakCLT homebuyers are required to contribute a minimum of 3% of the purchase price of the home as a down payment. These must come from the buyers’ own funds (i.e. not from down payment assistance or gifts). However, if no public subsidy is present in the home you are seeking, OakCLT may adjust that minimum. Review all disclosures to determine specific requirements. Some lenders may have their own higher requirements.

Buyers are encouraged to apply the maximum amount of liquid assets towards their down payment. For borrowers with over \$5,000 in assets post-closing (i.e. what has not been used for down payment and closing costs), the amount above \$5,000 will be multiplied by 2% (the current State HCD passbook rate) or the actual income from those assets will be used, if greater than 2%, and the result will be added to borrower’s income to determine borrower eligibility. Qualified retirement income will not be included. For post-closing assets over \$25,000, the multiplier will be 10%, and for post-closing assets over \$40,000, the multiplier will be 20%. Assets (including gifts) may not exceed 50% of the purchase price. To calculate how your assets may impact your income, see Exhibit B.

There are no down payment maximums, but potential buyers must keep in mind that their front-end ratio must be 25% or more.

Gifts

In order for a gift to be considered as part of the eligible contribution applied towards a home purchase, lenders require the following:

- 1) The gift must come from a first-line relative (parents, grandparents, or sibling). No other relationships are considered.
- 2) The grantor of the gift must produce bank statements showing the account from which the gift dollars were drawn and that the gift funds were available in the gift provider's bank account for over sixty (60) days. If the gift is received from an international bank, statements must be on bank stationary and in English.

Down Payment Assistance

Purchasers of OakCLT homes may be eligible for down payment assistance programs that help reduce a homebuyer's monthly expenses and that can bridge the gap between a homebuyer's down payment and a first mortgage. In many cases down payment subsidies can be combined and layered to increase impact, though the presence of down payment assistance may impact a property's resale formula. Review the ground lease for more details.

First Time Homebuyer Status – Not Required to Purchase an OakCLT Home

OakCLT home purchasers do not have to be first-time homebuyers. However, *in order to be eligible for many City subsidies or other down payment assistance funds, buyers may need to be a first-time homebuyer* (meaning that they have not owned a property that they reside in for the past three years). The key test is if the purchaser resided in a property for which they have made monthly mortgage payments. Land and investment property (investment property must be held outside of Oakland) do not impact first-time homebuyer status.

Homebuyer Education

To purchase an OakCLT home, each co-buyer must receive homebuyer education in an 8-hour class from a HUD certified homebuyer education provider. There are numerous providers of HUD-certified homebuyer education throughout the Bay Area, as well as several online options. OakCLT can refer you to a specific agency or program. Education requirements must be fulfilled prior to the submission of your application to purchase. Down payment assistance programs may have additional requirements around homebuyer education.

Attend an OakCLT Homebuyer Information Session

At least one borrower must attend an OakCLT Homebuyer Information Session, which OakCLT hosts periodically, though OakCLT strongly recommends that all borrowers attend. OakCLT internally tracks who has attended these sessions and will verify your attendance while screening your application. This means that you must attend a session before you submit your application.

Homebuyer Selection Criteria

Eligible buyers do not have to live and/or work in Oakland. However, for single-family homes and limited-equity condominium sales OakCLT uses a scoring criteria to weight potential buyers based on six categories:

1. Existing OakCLT Lessees
2. Oakland Resident At Risk of Displacement/Displaced Oakland Resident
3. Eligible for Section 8 Homeownership Program
4. Current Oakland Resident
5. Current Oakland Worker
6. Previous Eligible Applicants

For more information, review the OakCLT Homebuyer Selection Criteria.

OakCLT Purchase Process

The seven stages of purchasing an OakCLT home are summarized below. For a more detailed description of this process review the OakCLT Home Sale Process.

1. Applicant Prepares for Homeownership

In this stage, potential applicants prepare for homeownership by attending an OakCLT homebuyer information session, a HUD-certified 8-hour homebuyer education course, finding a realtor, and financially preparing for homeownership (which may or may not include getting pre-approved for a mortgage).

2. Applicant Reviews Available Home

Potential applicants schedule a tour of the home with their realtor, read all disclosures, and determine whether they would like to apply.

3. Application Submission

Applicants prepare their application, which includes information related to household size, income, assets, information related to OakCLT's Homebuyer Selection Criteria, a mortgage pre-approval letter, and proof of completion of homebuyer education.

4. OakCLT Screens Applicants for Baseline Eligibility + Selection Criteria

OakCLT reviews all applications to ensure that all applicants meet the eligibility requirements, and scores each candidate using the selection criteria. This scoring process creates a ranked order of applicants.

5. OakCLT Identifies Candidates from Applicants Meeting Baseline Eligibility

OakCLT reaches out to the top scoring applicant(s) and requests documentation to verify their stated information. If that information is verified, the top applicant is invited to submit a contract to purchase.

6. Applicant Enters into Contract to Purchase

Once the applicant's contract is accepted by OakCLT, the applicant is stewarded through the purchase process by their realtor, their lender, and the title company. OakCLT is there to support as needed. The contract period can take anywhere from 45-60 days depending on circumstances.

7. Closing

The applicant becomes a homeowner and signs a ground lease with OakCLT!

Owning Your OakCLT Home

Overview of Restrictions and Considerations

Owning an OakCLT home comes with responsibilities, benefits, and restrictions. Many of these are similar to homeownership on the open market, but many are not. A prospective OakCLT homebuyer should carefully evaluate all of the following before purchasing a home. More detail is described in the following pages and in the OakCLT ground lease. Restrictions the buyer must consider include:

Price restrictions

The resale price of the home/unit will always be restricted. The resale price of the home will only increase by the level that the consumer price index (CPI) rises in the area. For example, if during the time you owned your home, the CPI rises by 7%, the resale price would also rise by 7%. In contrast, if a neighbor owns a non-restricted open market home, they may recognize and realize a higher or lower rate of market appreciation.

Resale restriction

The unit may only be sold to a qualified buyer that is approved by OakCLT. In contrast, open market homes can be sold to anyone.

Ground Lease fee

You will be charged a ground lease fee each month that you live in your OakCLT home. Because this fee is related to the Ground Lease and not your mortgage, it will continue even after you pay-off your mortgage or if the house transfers by will to your heirs. The monthly ground lease fee for a 2-bedroom home is \$50 or \$85 for a 3 or 4-bedroom home. This monthly expense is considered in the calculation of your affordable housing cost.

Refinancing limitations

All refinance activity must be approved by OakCLT. Since the home price is set to maintain affordability, an OakCLT homeowner may not be able to pull out as much equity/cash as their neighbor who owns a market rate home, especially during a time when real estate prices are aggressively rising in the area.

Owner Occupancy / Not an investment property

The property can never be converted to an investment property. It cannot be rented and must be occupied by the purchaser throughout the entire time of ownership.

Willing your home

The home can be passed on to a beneficiary (or beneficiaries) at the time of death; however, a beneficiary can only occupy the home if they meet OakCLT purchase parameters. If a beneficiary does not qualify to live in the property, the beneficiary can sell the property at the restricted resale formula price.

Accountability

In order to prevent a default and maintain quality housing stock for future OakCLT homebuyers, OakCLT owners are required to physically maintain their homes. Additionally, on an annual basis, homeowners must provide OakCLT a copy of their current homeowner's insurance policy and certify owner occupancy.

Overview of Benefits

Ability to become a homeowner

An OakCLT home purchase makes ownership available to buyers who typically would not be able to afford a home on the open market.

Reduced cost of ownership

OakCLT homes provide an opportunity for buyers to pay much less up front and each month for ownership than they would most likely be paying for a comparable home in the region. In some situations the cost of ownership may even be more affordable than renting.

Price stability and appreciation

Even though price restricted homes have not historically appreciated at the same rate as open market rate homes, they still do appreciate at approximately the rate that incomes or the Consumer Price Index rises. Over the past ten to twenty years, incomes have risen at an average between three to four percent a year. Keep in mind, however, that there are times when incomes do not rise. There are also times when market-rate homes do not appreciate, and in fact may even drop in value, such as the Great Recession in 2008. Since the resale formula for OakCLT homes sets a minimum of 2% appreciation, the value of your home will always increase, even if market rates and incomes do not rise.

Building equity through the reduction of loan principal

As you make your monthly payments, you will be reducing the principal balance owed on your home. In approximately seventeen years you would pay off one-half of the balance on your first loan. In thirty years you would pay off your loan in its entirety. All of this equity/money, plus any appreciation you realize will be yours at the time you sell or choose to refinance your home.

Building and Preserving Community

There are over 160 residents within the Oakland Community Land Trust. As an OakCLT resident, you will be a part of this growing community. By purchasing an OakCLT home, you are buying into a community-centered model that is keeping housing out of the hands of investors and putting it in the permanent control of the community.

Homeownership Rules and Compliance

In addition to establishing certain purchase and resale restrictions, OakCLT requires homeowners to follow certain rules during their tenure to promote its primary objective of creating permanently affordable homeownership opportunities.

Responsibilities of Ownership

The same responsibilities of ownership that apply for unrestricted market-rate homes generally also apply for OakCLT homes:

Make your housing related payments on time

You must make all your housing payments on time. Housing payments include your mortgage, all property taxes, insurance and ground lease payments as well as your basic utility costs (gas/electric, water, and sewage). If you run into problems making payments, notify OakCLT immediately. The earlier you notify OakCLT, the greater the likelihood that OakCLT will be able to assist you in resolving these difficulties.

Homeowners Insurance

You are responsible for maintaining adequate coverage on your property. Adequate coverage should be able to cover the replacement cost of your home in case of a fire or damages and/or liability caused through other insurable incidents. In addition, if you run your business out of your home, you will need to provide adequate commercial coverage applicable to your business. The specific guidelines for insurance are in the Ground Lease.

Maintaining your home

You must maintain your home in good condition including making certain that there are no water leaks, and that the systems, such as heating and plumbing, are in working order.

Not an investment or rental property

An OakCLT home is intended to serve as the homeowner's sole, exclusive and permanent place of residence and cannot be rented, leased, or subleased. However, to respond to emergencies or temporary changes in circumstances, an OakCLT homeowner is permitted to sublet their home for up to 12 months in each 5 year period. All sublets must be approved in advance by OakCLT and any rental activity in excess of the 12 month period or without prior permission will trigger a default under the Ground Lease that could result in a lease termination. *All OakCLT homeowners must certify their occupancy annually.*

The property must also be occupied by the purchaser as a permanent residence within 60 days from the day the transaction closes escrow.

Defaults

An OakCLT homeowner is required to adhere to the guidelines and restrictions discussed in this manual and in the Ground Lease and related policies. The failure to do so may cause a homeowner to incur either a technical and/or financial default on their home.

Financial default

Financial defaults are related to situations created through non-payment of a financial obligation which include and are not limited to:

- Mortgage payment – on the first and any junior subsidy loans
- Property taxes
- Ground Lease fees
- Property insurance payment – creating a lapse in coverage
- Involuntary liens placed on the property which can be incurred through taxes, mechanics liens, and other forms of liens from unpaid bills or financial obligations.
- Bankruptcy proceedings

Technical defaults (non-financial defaults)

If an OakCLT homeowner is current on all their financial obligations, they may still be in default due to an activity or inactivity related to the home. Technical (non-financial) defaults include:

- Transferring title/ownership of an OakCLT to a non-eligible title holder
- Renting and/or non-occupancy of the home
- Not maintaining the home in good condition
- Refinancing and or securing additional debt on the home through a refinance or equity line without notification and consent by OakCLT

Remedies for Default

If an owner does not cure a default, OakCLT may:

- After appropriate notification, financially cure or physically repair any financial or physical deficiencies and charge the owner for any costs incurred by OakCLT
- When appropriate, exercise its option to purchase the property, in which case the owner will need to vacate the property

The amount that an owner/seller derives in proceeds from the sale of their home could be adjusted by the following factors:

- *Damages* – proceeds from sales would be applied towards any expenses that need to be incurred by OakCLT to place the property into saleable condition as reasonably determined by OakCLT – including costs for deferred maintenance.
- *Money owed to or expenses covered by OakCLT* – including paying delinquent ground lease fees, mortgage payments, taxes, assessments, insurance premiums and any other costs associated in maintaining the physical condition and financial integrity of the property.

Resales, Refinancing, and Inheritance

OakCLT homeowners are entitled to sell their home at any time, so long as they notify OakCLT beforehand and sell to a buyer that meets the criteria outlined above. OakCLT also maintains a first right of purchase when a homeowner decides to sell. As mentioned above, the sales price of an OakCLT home is determined by a formula, not the housing market. Review the Ground Lease for more details.

Calculating Your Resale Price

The resale formula is set forth in the Ground Lease and is as follows:

- Resale pricing of the unit will be established based on the annual change in the Consumer Price Index (CPI) over the time that the homeowner(s) have owned the OakCLT home.
- If the annual change in CPI is ever below 2%, OakCLT will honor a 2% minimum increase. However, regardless of the actual percentage change in CPI, for purposes of computing this formula, the percentage will never be less than 2%. For example, if in a down market the actual change in the CPI was 0.5% over the course of that year, for purposes of calculating the resale price, OakCLT would use 2% for that year.
- The presence of down payment assistance loans may impact the resale calculation. For example, a home purchased with a significant down payment assistance loan that needs to be repaid may exclude that loan from the base price when applying the resale formula. In such a situation, the base price would be the amount of down payment from the buyer in addition to the amount of the first mortgage.

Assuming that a homeowner maintains their home in good condition, this resale formula guarantees a modest increase in the resale price every year.

Capital Improvements

Certain costs associated with the upgrade of your home may be deemed as “eligible capital improvements.” A portion of the cost of eligible capital improvements can be added to the value of your home when you are selling the property. In order to be deemed an eligible capital improvement, the improvement must be a substantial structural or permanent upgrade requiring issuance of permits by the City of Oakland. The homeowner must obtain approval from OakCLT for the installation or a major capital improvement and appropriate permits from the City of Oakland. The value of your property will be increased by the depreciated value of the cost of the eligible capital improvement (up to 50% of the total cost of those improvements), however the increase in capital improvements cannot exceed 20% of the calculated price before the inclusion of eligible capital improvements.

Replacement of items/systems due to deferred maintenance or personal preference are not considered to be an eligible capital improvement. For example, re-painting, replacing the furnace, or replacing counters would not be considered as an eligible capital improvement cost.

Deferred Maintenance

The purchase option price will also include a downward adjustment for any deferred maintenance, violations of applicable building codes, and any other repairs necessary to put the

home into sellable condition. The amount of the downward adjustment due to deferred maintenance will be based on a pest control report, inspection report, or other reasonable estimate of repair costs.

Refinancing Guidelines

All OakCLT homeowners must first inform OakCLT of any intent to refinance or take out an equity loan on their home and obtain prior approval of that loan from OakCLT. The two main reasons for this requirement are to ensure that:

- 1) The refinancing lender understands the community land trust model; and
- 2) The new loan amount does not exceed the value of the home (based on the formula).

The value of the home is particularly important if a homeowner is looking to extract cash through the refinancing, otherwise known as a “cash-out” refinancing. Cash-out refinancing occurs when an owner draws cash through a new or additional loan in excess of the balance on the existing first loan. The owner can only cash-out refinance when equity has been established through an increase in price or repayment of principal on a loan. To determine any increase in equity from appreciation, an OakCLT homeowner must contact OakCLT to determine the current value of the home, based on the resale formula. *An OakCLT homeowner cannot use the market price of homes selling in the surrounding community to determine the value of their home or the amount of money that they are able to access through the refinancing.* For example, if the market price of a similar non-OakCLT home was \$600,000 and the formula price for the OakCLT home was \$300,000, the OakCLT borrower may only possibly access cash based on the maximum formula price of \$300,000.

Heritability

Property can be transferred to an OakCLT homeowner’s heirs as long as the heirs have lived in the home for at least one year prior to the owner’s death. If they have not lived there for at least a year prior to the homeowner’s death, they may assume ownership of the property so long as their household income is less than 100% of AMI adjusted for their household size. If they do not meet these requirements, they may sell the property to an eligible homebuyer.

Please Remember:

If you have questions or problems at any time before or during your tenure as an OakCLT homeowner, please do not hesitate to contact OakCLT staff. OakCLT wants to help ensure that you are a successful homeowner. **We are here to help.**

Oakland Community Land Trust

101 Broadway, Suite 310
Oakland, California 94607
510-463-2887

Acknowledgement

The undersigned hereby acknowledges that they have received a copy of the **Oakland Community Land Trust Purchase Manual** and have read and understood the information presented in the manual. The undersigned, also, hereby acknowledges that they understand Oakland Community Land Trust homeownership comes with a number of restrictions and responsibilities, many of which that have been represented in the manual and further presented in greater detail in the documents that the OakCLT homebuyer will be provided and executing at the time they purchase their OakCLT home.

OakCLT Homebuyer

Dated

OakCLT Homebuyer

Dated

Exhibit A - Income Qualification, Inclusions & Exclusions

Inclusions	Exclusions
<ul style="list-style-type: none"> ● The gross amount, before any payroll deduction of wages and salaries, overtime pay, commissions, fees, tips and bonuses ● The net income from operation of a business or profession or form of rental or real personal property (for this purpose, expenditures for business expansion or amortization of capital indebtedness shall not be deducted to determine the net income from a business) ● Interest and dividends, capital gains ● The full amount of periodic payments received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic receipts ● Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay ● Public Assistance. If the public assistance payment includes an amount specifically designated for shelter and utilities which is subject to adjustment by the public assistance agency in accordance with the actual cost of shelter and utilities, the amount of public assistance income to be included as income shall consist of: <ol style="list-style-type: none"> 1. The amount of the allowance or grant exclusive of the amount specifically designated for shelter and utilities, plus 2. The maximum amount which the public assistance agency could in fact allow for the family for shelter and utilities. ● Periodic and determinable allowances such as alimony and child support payments, and regular contributions or gifts received from persons not residing in the dwelling ● All regular pay, special pay and allowances of a member of the Armed Forces (whether or not living in the dwelling) who is head of the family or spouse 	<ul style="list-style-type: none"> ● Casual, sporadic or irregular gifts ● Amounts which are specifically for or in reimbursement of the cost of medical expenses ● Lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation) capital gains and settlement for personal or property losses ● Amounts of educational scholarships paid directly to the student or to the educational institution, and amounts paid by the government to a veteran for use in meeting the costs of tuition, fees, books and equipment. Any amounts of such scholarships, or payments to veterans not used for the above purposes of which are available for subsistence are to be included in income ● The special pay to a serviceman head of a family away from home and exposed to hostile fire ● Relocation payments made pursuant to federal, state, or local relocation law ● Foster child care payments ● The value of coupon allotments for the purchase of food pursuant to Food Stamp Act of 1964 which is in excess of the amount actually charged the eligible household ● Payments received pursuant to participation in the following volunteer programs under the ACTION Agency: <ol style="list-style-type: none"> 1. National Volunteer Antipoverty Programs which include VISTA, Service Learning Programs and Special Volunteer Programs. 2. National Older American Volunteer Programs for persons aged 60 and over which include Retired Senior Volunteer Programs, Foster Grandparent Programs, Older American Community Services Program and National Volunteer Program to Assist Small Business Experience, Service Corps of Retired Executive (SCORE) and Active Corps of Executives (ACE)

Exhibit B - Computing Assets & Annual Income

Computing Assets & Annual Household Income						
1. Primary Applicant Name:		Email:				
Secondary Applicant Name:		Email:				
ASSETS						
Household Member Name	Asset Description	Current Cash Value of Asset	Actual Income from Assets			
3. Net Cash Value of Assets.....						
4. Total Actual Income from Assets.....						
5. Assets going towards down payment.....						
6. Subtract line 5 from line 3						
7. If line 6 is greater than \$5,000, multiply line by 2%. If line three is greater than \$25,000, multiply by 10%. If line 3 is greater than \$40,000, multiply by 20%. Otherwise leave blank.						
ANTICIPATED ANNUAL INCOME						
Household Member	Wages/ Salaries	Benefits/ Pensions	Public Assistance	Other Income	Asset Income	Enter the greater of lines 4 or 7
8. Totals.....						
9. Enter totals in line 8. This is the Total Household Income.....						