



Oakland Community Land Trust

Homebuyer Purchase Manual

Updated May 2024



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. YOU WILL BE ASKED TO ACKNOWLEDGE THAT YOU HAVE READ AND UNDERSTOOD THIS DOCUMENT.

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Community Land Trusts

Community Land Trusts (CLTs) are nonprofit organizations that acquire and steward land that serves many community needs - namely housing - with the intent to keep low-income communities rooted and stable in the face of displacement pressures.

One of the primary objectives 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 market conditions and any potential for speculation, keeps the building *permanently affordable* for current and future 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

OakCLT homes are sold at a reduced price to make them affordable to households experiencing low incomes. 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 a home at a discounted price, OakCLT is helping to keep monthly costs lower than a market-rate home, and therefore assuring the home's permanent affordability for homeowners within OakCLT.

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 personal 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

Note that home sales with public subsidy are subject to review and final approval of applicants and loan products by the City of Oakland and/or other applicable agencies. OakCLT reserves the right to modify these policies at its discretion.

Low Income Restrictions

The qualifying income for purchase of an OakCLT home is at or below 80% of AMI 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 2023 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 (2024)	\$84,600	\$96,650	\$108,750	\$120,800	\$130,500	\$140,150	\$149,800	\$159,500

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. Potential applicants with shared custody must reasonably document this in order to qualify their child as a household member.

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 once purchased. 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 and Assets

For all adult household members, OakCLT will review tax returns from the previous three years, the previous three year's W-2s, and pay stubs for all employed household members for the three most recent consecutive pay periods with year to date totals. OakCLT will use this information to project household income for the purpose of meeting income qualification guidelines.

For self-employed household members without W2s or 1040s, income will be determined by averaging the adjusted gross income from the previous three years' federal income tax returns (applicants may request that two years be considered if there is a strong rationale) or by reviewing a year-to-date profit and loss statement and balance sheet to project annual income for the next twelve months (unless evidence to the contrary is provided), whichever is greater. Note that 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.

Household members with disability, pension, and/or retirement income will need to produce their most current statements and award letters to demonstrate monthly and annual income.

All household members must provide two months of statements from all asset accounts, including real property, stocks, checking, savings, mobile payment services (e.g. Zelle, Venmo, CashApp, Paypal), and any other forms of capital investment.

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 \$10,000, the multiplier will be 10%, and for post-closing assets over \$20,000, the multiplier will be 20%. Pre-purchase assets (including gifts, excluding retirement) may not exceed 50% of the purchase price. To calculate how your assets may impact your income, see Exhibit B.

Minimum Household Size Related to Bedroom Count

The size of a unit that a given household is eligible for 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

Note that this is the *minimum* household size for purposes of eligibility. The *OakCLT Homebuyer Selection Criteria* gives extra weight to applicants whose household size meets and/or exceeds the bedroom count.

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

Financing for OakCLT home purchases must come from institutional lenders or public agencies 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 may create future hardships or additional monthly housing cost obligations.

Mortgage financing is also limited by monthly debt payments and housing costs as they relate to monthly gross income. The total ratio of monthly housing costs (principal, interest, taxes, insurance, and ground lease) to monthly gross income (“front-end-ratio”) should not be less than 20%, though OakCLT may make exceptions depending on funding sources. The ratio of all of the total existing monthly debt payments plus new monthly housing payments compared to gross monthly income (“back-end ratio”) cannot exceed 40-45%, depending on the specifics of that housing opportunity.

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 (in addition to buyer’s income eligibility). Minimum and maximum requirements established by the City or OakCLT may not always match up with the requirements of a lender.

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

Down payment requirements are influenced by the presence of public subsidy and associated agreements on the use of that subsidy. Generally, OakCLT homebuyers are required to contribute a minimum of 3% of the purchase price of the home. For a City-assisted project, this 3% may be required to go exclusively towards the down payment, or may be applied to closing costs. These obligations must come from the buyers’ own funds (i.e. not from down payment assistance or gifts). If no public subsidy is present in the home for sale, OakCLT may adjust this minimum. Review all disclosures and/or marketing materials to determine specific requirements. Some lenders may have their own minimums.

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 parent, grandparent, sibling, aunt, and/or uncle. Federal guidelines for our lenders are such that 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 and associated riders 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 subsidies or 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. Certificates of completion must be submitted with an application to be deemed eligible, and therefore education requirements must be fulfilled prior to the submission of an application to purchase. Down payment assistance programs may have additional requirements around homebuyer education.

OakCLT Homebuyer Information Sessions

At least one borrower within an applicant household 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 attendance while screening applicants.

Homebuyer Selection Criteria

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

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. Household Size Relative to Bedroom Count
7. Previous Eligible Applicants

For more information, review the *OakCLT Homebuyer Selection Criteria*.

OakCLT Purchase Process

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

1. Prepare for Homeownership

In this stage, potential applicants should decide if they are ready for homeownership, attend an OakCLT homebuyer information session, complete a HUD-certified 8-hour homebuyer education course, find a realtor (you may work with OakCLT's realtor if you choose), get pre-approved for a mortgage from an OakCLT-approved lender, and financially prepare for homeownership.

2. Review Available Home(s)

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

3. Submit Application

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 Buyer + Enters into Contract

OakCLT reaches out to the top scoring applicant(s) and may request additional documentation to verify their stated information. If that information is verified, the top scoring applicant is invited to submit a contract to purchase, and lenders are notified of the applicant choice. If the home is City-assisted, applicants will need to be approved by the City of Oakland.

6. City Reviews Buyer (if City Assisted Project)

If the project has City funding in it, the City must review applicant's income, assets, and mortgage loan terms to ensure they meet the requirements established in the City's affordability agreement.

7. Applicant Prepares for Closing

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.

8. Closing

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

Owning an 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 and disconnected from the pressures of the housing market. The resale price of the home will increase by the annual level that the consumer price index (CPI) rises in the area or 2%, whichever is higher - provided that such an increase does not exceed an affordable price for a low-income family based AMI at the time of sale (see ground lease for more details). For example, if one year CPI rises 7% and the next year it falls .5%, the OakCLT home would increase in value by 7% and then 2%, respectively. In contrast, a non-restricted home may see higher appreciation or larger losses depending on what happens in the housing market.

Buyer Resale Restriction

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

Ground Lease Fee

OakCLT homeowners are responsible for paying a ground lease fee each month that they live in their OakCLT home. Because this fee is related to the ground lease and not the mortgage, it will continue even after the mortgage is paid off or if the house transfers by will to heirs. The current 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 the affordable housing cost.

Financing Limitations

OakCLT residents are able to refinance their homes and/or take out a home equity line of credit (HELOC) like any other homeowner, but in line with their restricted resale value *not* the market value. All refinance activity must be approved by OakCLT.

Owner Occupancy / Not an Investment Property

The home can never be converted to an investment property. It cannot be rented and must be occupied by the purchaser for the entirety of ownership. Homeowners are permitted to rent out a room in their home so long as they continue to occupy the home as their primary residence.

Willing an OakCLT 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. OakCLT homeowners can also sell their homes to friends and family members, so long as they meet income and eligibility requirements.

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 an OakCLT home will always increase, even if market rates and incomes do not rise.

Building Equity Through the Reduction of Loan Principal

As monthly payments are made, homeowners reduce the principal balance owed on their home. In approximately seventeen years, a homeowner pays off one-half of the balance on their first loan. In thirty years the loan would be paid off in its entirety. All of this equity/money, plus any appreciation realized will be the homeowners at the time they sell or choose to refinance the home.

Shared Ownership, Shared Partnership

Homeownership can be daunting, especially for new homeowners. OakCLT is the long-term steward of the property and it is the mission of the organization to support the sustainability and success of OakCLT homeowners and their homes. OakCLT will always be there to support residents in whatever challenges they may face, from recommending a contractor, to navigating property tax refunds, to intervening to prevent foreclosure. We have our residents' backs!

Building and Preserving Community

There are over 160 residents within the Oakland Community Land Trust. OakCLT strives to put the "community" in "community land trust" and by purchasing an OakCLT home, new homeowners 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 housing related payments on time

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

Homeowners Insurance

Homeowners are responsible for maintaining adequate coverage on their property. Adequate coverage should be able to cover the replacement cost of the home in case of a fire or damages and/or liability caused through other insurable incidents. In addition, if a business is run out of the home then adequate commercial coverage applicable to the business is also required. The specific guidelines for insurance are in the ground lease.

Maintaining the Home

OakCLT homeowners must maintain their 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. All maintenance and repairs of the home are the responsibility of the homeowner, *not OakCLT*.

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 sell and 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 the 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. For example, if the change in CPI is 7% in a given year, then the home's resale price will increase by 7% in that year.
- If the annual change in CPI is ever below 2%, OakCLT will honor a 2% minimum increase. For example, if 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 an OakCLT home may be deemed as "eligible capital improvements." A portion of the cost of eligible capital improvements can be added to the value of the home when it is sold. 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 the 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.

Maximum Affordable Sales Price

The OakCLT resale formula is designed to maintain a level of deep affordability for current and future homeowners. Therefore, a homeowner's resale price (outlined above) cannot exceed the price that would be affordable for a household making 80% AMI based on considerations for interest rates, AMI, ground lease fees, utility allowances, and insurance costs at time of resale. The resale formula is designed to stay below this threshold, and it is unlikely that this affordable sales price threshold will come into play.

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 at or below 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 & closing costs.....						
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.....						