

CLT Foreclosure Prevention (Homeowner Refinance/CLT Acquisition)

Developed by the Rocky Mountain CLT and the Coalition of Colorado CLTs

Purpose: To provide current low- and moderate-income homeowners (whose mortgage payments are or will be too high and may face foreclosure) with a long term solution for retaining ownership of their primary residence. Additionally, this process will bring housing inventory into CLTs.

Target Market:

1. Homeowners with ARM or high interest rate mortgages (can be refinanced to 30-year fixed rate mortgage at amounts approximately 20% lower).
2. Homeowners who have experienced a decrease in income, but still have sufficient income for a reduced mortgage amount.
3. Homeowners with 80/20 financing (CLT can payoff 20% with CLT investment).

Criteria for Homeowner:

1. Must make less than 80% of AMI.
2. Must not have negatively impacted credit at time of refinance/acquisition and be approved to refinance to a 30-year fixed-rate mortgage with usual lender underwriting criteria for prime loan (suggest CHFA HomeStretch™).
3. Must be looking for a long term solution and desire to be part of CLT program.
4. Must attend a CHFA first-time home buyer class.
5. Must have 'legal status' in the United States.

Criteria for House:

1. Current appraised value must not be more than median price for the CLT area
2. Debt against house must not be greater than current appraised value. Initial value can be estimated by looking at county assessment, Zillow.com, and/or free Realtor CMA. Final acquisition price will be determined by lender appraisal.
3. Must have ASHI inspection to determine physical condition of property. If house needs repair to meet CLT standards, funding must come from equity of home, be rolled into first mortgage if less than 80% LTV, or special arrangements made with homeowner for work to be completed in the future.
4. Property must meet CLT's usual acquisition guidelines (i.e. condo, townhome, or single family; two or more bedrooms; HOA in good standing; not in 100 year floodplain; satisfactory meth lab check; all required regional building permits finalized).

Method:

1. CLT will acquire (purchase) 20% or more (suggest 22%) of current appraised value of home. Acquisition may be vertical or horizontal. CLT must find local and state funding that will fit program (see attached Foreclosure Prevention Program Funding Estimator for an example).
2. Homeowners will provide \$1000 cash towards the refinance/acquisition (funds can come from the budgeted payment that will be skipped at time of refinance) but can finance other closing costs into the transaction, as long as, resulting refinanced mortgage is no more than 80% LTV (no PMI). This may result in slight negative equity at CLT acquisition.
3. Purchase contract will be written by CLT attorney.
4. Closing will take place at a title company.