



INNER CITY CHRISTIAN FEDERATION

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COMMUNITY HOMES LAND TRUST POTENTIAL HOMEBUYER FAQ

1. What is the Community Homes Land Trust and why does it exist?

The Community Homes Land Trust (CHLT) is a program offered by Inner City Christian Federation to help income-qualified households become homebuyers that otherwise could not access an affordable house on the open market. CHLT homes stay affordable permanently for generation after generation of homeowner and the house can never be 'flipped'. In exchange for this access to buy an affordable house in our restrictive, unaffordable market, the CHLT requires that if the homeowner ever wants to resell their home it can only be resold to another income-qualified household for an affordable price.

2. How does homeownership in a CHLT compare with traditional home ownership?

In the CHLT (or in any housing land trust) the land where the house sits is owned by the CHLT and the homeowner owns the house (aka the 'improvements'). The homeowner pays a ground lease to the CHLT for the right to exclusive use the land. The homeowner takes care of the land just like in any typical homeownership situation. This ground lease between the homeowner and the CHLT is 89 years long and gets reset if the house is ever resold.

3. Why does the CHLT want to own the land?

The two reasons the CHLT owns the land are 1. affordability and 2. protection against the house being flipped to market rate. Regarding affordability, when the homebuyer only buys the house and not the land the house cost will be cheaper and more affordable. This allows the CHLT to reach lower income households who cannot buy houses on the open market. Regarding the legal protection, the CHLT is the landowner so the CHLT will always be connected to this property and the house cannot be resold unless it meets the requirements of the CHLT program. The CHLT will have to agree to/sign off on any resale of the home. This protection stops any chances of the home being flipped to a market rate home. It is preserved as an affordable homeownership opportunity for generation after generation.

4. Will banks be able to provide loans for homes in the CHLT?

Yes. There are specialized loan products available for land trust homes just like the CHLT. ICCF is working with local lenders to offer mortgage loan products specifically designed to work with the CHLT. Land trusts like the CHLT exist all over the country so there are mortgage products available that can work with the CHLT, but these loan products are new for West Michigan. ICCF will connect qualified applicants in this program with qualified mortgage lenders.

5. Does the homeowner pay property taxes?

Yes. Residents pay taxes on their house and the land.



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6. Who can buy a CHLT house from ICCF?

Households at or below 90% of the area median income (“AMI” as determined by HUD) could qualify to buy a CHLT house if they are first time homebuyers. The income levels below are the maximum income levels of the households in the CHLT based on their family size as of 2018:

1 person	2 people	3 people	4 people	5 people	6 people
\$44100	\$50400	\$56700	\$62910	\$67950	\$72,990

If the home is ever resold, the next homebuyer household must also qualify at or below 90% of AMI.

7. What happens when a homeowner wants to move away from the CHLT?

After giving the CHLT adequate notice, a homeowner may resell the house to an eligible buyer, transfer the ground lease, and move away. The CHLT will retain an option to buy the house on CHLT land, so the homeowner who wishes to leave could sell his/her house to the CHLT if the CHLT prefers. The CHLT will, in turn, sell this house and lease the land to a new income qualified buyer.

8. How is the resale price of a home determined?

When the CHLT homeowner wants to sell their home s/ he is limited by a Resale Formula in their Ground Lease which determines the Purchase Option Price. The Resale Formula for the CHLT is that the seller (homeowner) receives 25% of the home’s appreciation at the sale. Appreciation is determined by subtracting the original appraised value of the seller’s home from the current appraised value at the time the homeowner seeks to resell. For example, if a homeowner purchased a home five years ago for \$100,000 and it now appraised for \$160,000, the home has appreciated by \$60,000. The homeowner would then add 25% of the \$60,000 (exactly \$15,000) to the amount they spent on the home; this would be their resell price.

For more information please contact Jeannica Garmon or Lynette Mills at their contact information below:

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**COMMUNITY HOMES LAND TRUST – POTENTIAL HOMEBUYER
READINESS SELF-ASSESSMENT**

- I have read the above document titled “Community Homes Land Trust – Potential Homebuyer FAQ”
- I understand that the Community Homes Land Trust (CHLT) purchase is a different model than traditional home ownership
- I understand that CHLT home owners must be income-qualified.
- Based on the income table provided in Section 6 of the Community Homes Land Trust – Potential Homebuyer FAQ, I believe that I would income qualify for this home
- I understand that CHLT qualified buyers include a housing-to-income ratio of between 15% and 30%.
- I understand that the CHLT works with specific banks for CHLT home purchase, and the list will be provided to me by ICCF staff.
- I understand that the CHLT home must be owner-occupied. I may not lease my CHLT home to someone else.
- I understand that CHLT homes are re-sold at the owner’s choice to another eligible buyer via the CHLT.
- I understand that there is a resale formula applied when CHLT owners choose to resell to another eligible buyer via the CHLT.

NAME (Printed): _____

SIGNATURE: _____

DATE: _____

- PLEASE RETURN THIS COMPLETED FOR TO ICCF -