Homeownership Addendum

U.S. Department of Housing and Urban Development
Office of Public and Indian Housing

OMB Approval No. 2577-0075 (exp. 08-31-2014)

Public reporting burden for this collection of information is estimated to average 10 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. HUD may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB control number.

This information is required to as a supplement to the HUD-52860 for all inventory removal actions that involve based on requirements of Section 32 of the United States Housing Act of 1937 as amended ("Act") and 24 CFR Part 906, HUD will use this information to determine whether, and under what circumstances, to permit PHAs to remove from their inventories all or a portion of a public housing development, as well as to track removals for other record keeping requirements. Responses to this collection of information are statutory and regulatory to obtain a benefit. Please refer to the instructions for each section for additional guidance on how to complete this application. HUD approval of the proposed removal from inventory action in this application does not constitute HUD approval for funding of the proposed action. All capitalized terms not defined in this form have the meanings as defined in the Act and HUD Regulations. The information requested does not lend itself to confidentiality.

A. General PHA Information and Description of Homeownership Program

Name of PHA:	
Name of Development:	
HOPE VI Grant No./Development No.:	
Contact Name at PHA:	
Contact Phone No.:	
Narrative (Description of Homeownership Plan):	Please Attach.

B. Property Description

Existing ACC Units	
New ACC Units	
HA Acquired Non ACC units	
Financing Assistance Only	
Total	
Narrative (Description of units that will be sold under Homeownership Plan):	Please Attach.

C. PHA and Purchase and Resale Entity (PRE) Performance in Homeownership.

D. Repair or Rehabilitation

E. Purchaser Eligibility and Selection (24 CFR 906.11)

Minimum purchaser income amount and percentage of AMI: $ _____ = _____%
Maximum purchaser income amount and percentage of AMI: $ _____ = _____%
Minimum downpayment amount or percentage of purchase price from purchaser's own funds (*must be at least 1%) $ _____ or _____% of sales price

Describe process for purchaser eligibility.

Describe priorities for selection of purchasers (e.g. residency).

Describe income tiering structure for eligible program purchasers (if applicable). How many homes will be set-aside for each tier?

Describe any additional requirements (including housing quality standards and requirements for soft second mortgage or acquisition sale programs).

Does the plan allow for participation by families not currently residing in public housing or receiving Housing Choice Voucher assistance? Yes ☐ No☐

(If yes, include an affirmative fair housing marketing strategy. Specifically, this strategy should describe how the PHA (or PRE) will inform non-public housing, income-eligible households of their eligibility to apply, and make special outreach to solicit applications from those in the housing market who are least likely to apply).

F. Consultation with Residents and Purchasers

G. Counseling

Name of Counseling Agency and Description of the Agency's experience in the community.

Describe the curriculum and scope of services for the agency under this homeownership proposal.

Describe the PHA's strategy to assist prospective homebuyers in accumulating their initial downpayment. Does the PHA's strategy include a Family Self-Sufficiency (FSS) escrow account or an Individual Development Account (IDA)?

Describe the PHA's strategy to ensure that all prospective homebuyers have steady employment and adequate income to support homeownership costs.

Describe the role of Housing Choice Vouchers in your homeownership strategy, if applicable.

H. Sale via Purchase and Resale Entity (PRE) (24 CFR 906.19)

Is a PRE to be used for the sale of units? Yes ☐ No ☐

Entity Name, PHA affiliation (if any)

I. Non-purchasing Residents

Is the PHA selling ACC Units? Yes ☐ No ☐

Relocation Plan: Describe the planned relocation activities.

J. Sale Proceeds

After payment of all expenses, how will the sale proceeds be distributed?

Complete the following table to indicate what fees (e.g., developer fee, loan administration fees, counseling agency fees, etc.), if any, are to be paid to the PHA or PHA affiliate.

Type of Fee/Description	Amount
	$
	$
	$

Expected sources of project income

K. Records, Accounts, and Reports

Description of the PHA's (and PRE's, if applicable) record-keeping, accounting, and reporting procedures that will be used

L. Timetable

If a specific milestone does not apply to the proposed program please check the box labeled N/A.

Activity		Date Range
Resident meetings and other consultations	N/A ☐	
When each source of funding will be secured	N/A ☐	
Units to be acquired	N/A ☐	
Units to be rehabilitated	N/A ☐	
Units to be sold	N/A ☐	
Marketing and outreach process	N/A ☐	
Duration of counseling and training	N/A ☐	

M. Description of the Deed or Title Restrictions. Gains from Appreciation

Recapture Provisions

Year of Resale	Rate of Forgiveness*
	%
	%
	%
	%
	%
	%
	%
	%
	%

Anticipated Sales Price

Types and Amounts of Direct Financing Assistance to be provided

52860-C Instructions:

All PHAs applying for Section 32 Homeownership are required to complete this Term Sheet as part of its application to HUD. This Term Sheet is in addition to the Inventory Removal Application (HUD-52860) and may request some information that already exists in the Public and Indian Housing Information Center (PIC). This Term Sheet will become part of the hard paper file of a PHA's approved Homeownership Plan.

Section 32 regulations can be found at 24 CFR 906. For detailed information on the Section 32 program and additional guidance for completing this form, see the *Section 32 Desk Guide* found at http://www.hud.gov/offices/pih/centers/sac/homeownership/section32deskguide.pdf

I. COMPONENTS OF THE HOMEOWNERSHIP PLAN
All homeownership plans should include narrative and supporting documentation detailing specific submission requirements. These requirements include the following (24 CFR Part 906.39):

A. General PHA Information and Description of Homeownership Program:
Purpose: To inform HUD of the factual circumstances of the proposed homeownership program.
Instructions: Provide a brief narrative that describes the goals and objectives of the proposed homeownership program. Include the following information:
--The overall unit count broken down by unit type;
--Method of sale (fee simple, condominium, Lease Purchase, etc.), including the terms of the sale program.
--The building type(s) (e.g., row, elevator, detached/semi-detached, walk-up, etc.);
--Sources of funding;
--The names of the major partners; and
--Any unusual features regarding the conveyance or property (e.g., land swap, scattered site acquisition and development, etc.).

B. Property Description
Purpose: To provide HUD with factual information relative to the units and property to be sold through the homeownership program.
Instructions: Complete the chart and provide a brief narrative with appropriate supporting documentation (see Section II Supporting Documentation) that describes in detail the property/properties to be included in the program and the units that will be sold under the program. **If selling existing ACC Units**, include the applicable development number and street addresses, specific dwellings to be sold, bedroom distribution by size and type broken down by project, description of the current physical conditions for a building and its fair market value, a description of physical assessment for the buildings planned for homeownership conveyance. **If acquiring housing,** include a description of the proposed general location of a property or street addresses of properties to be acquired, a project acquisition schedule, budget including sources of funds and acquisition, relocation, and closing costs, (where sites are identified) appraisal and environmental information, and bedroom distribution by size and type broken down by project. **If offering financing assistance to households**, include a description of the area in which the assistance is proposed to be used (see Section C, Property description (1) of the Desk Guide for an example), describe method(s) of financing to be used.

C. PHA and PRE Performance in Homeownership.
Purpose: To determine the capacity and capability of the PHA to successfully implement a homeownership program.
Instructions: Include a narrative describing the PHA and its partners past experience in carrying out homeownership programs for low-income families. For PHA's that have not previously implemented a

homeownership program, describe the PHA's management experience with completing public housing modernization and development projects.

D. Repair or Rehabilitation
Purpose: To inform HUD of any physical assessments and rehabilitation projects a PHA has undertaken to comply with federal, state, or local requirements
Instructions: If the PHA plans to sell existing public housing rental units or acquire units that need repair, provide a narrative describing the process of assessment/implementing repair, identification of code violations or housing quality standard inadequacies and plans to address each code violation or inadequacy, compliance with lead based paint requirements, a cost estimate to rehabilitate buildings, obligation to make the units 504 compliant, and projections of estimate of repair costs in the next 7 years.

E. Purchaser Eligibility and Selection (24 CFR 906.11 to 906.17)
Purpose: To provide HUD with an understanding of the PHA's priorities for project purchasers and restrictions on purchaser eligibility.
Instructions: Complete the following information on purchaser requirements. Refer to the regulation and briefly identify descriptions of the following homebuyer eligibility and selection requirements for the homeownership program.

Purchaser Eligibility.
Order of preferences for potential homebuyers
Replacement/maintenance reserve requirement (if applicable)
Fair Housing Marketing Plan (if applicable)
Selection criteria
Documentation of outreach
Description of application process
List of documentation needed from applicants
Clearly defined application review criteria
Restrictions
Prior homeownership (if applicable)
Occupancy requirement (principal residence)
Employment/credit requirements (if applicable)
Other (PHA determined restrictions)

PHA certifies that the applicant's monthly payments for mortgage and housing expenses (i.e. principal and interest, taxes, insurance, maintenance, utilities, and other regularly recurring homeownership costs (e.g. condominium fees)) do not exceed 35% of the applicant's adjusted income plus any other subsidy used for monthly payments."

F. Consultation with Residents and Purchasers
Purpose: To inform HUD of compliance with the resident consultation requirements of the PHA Plan.
Instructions: If the PHA intends to sell existing public housing, provide a narrative description of input obtained during the resident consultation process for planning, as well as a plan for consultation with purchasers during the implementation stage.

G. Counseling
Purpose: To provide HUD with information regarding the homeownership counseling program requirements and the PHA's counseling implementation plan.
Instructions: Complete the following questions on the homeownership counseling agency and program.
Note: The budget should include funds for the homeownership counseling program.

H. Sale via Purchase and Resale Entity (PRE) (24 CFR 906.19)
Purpose: To inform HUD of the structure of any ownership and sale partners the PHA will utilize.
Instructions: Please complete information about ownership as needed.

Is a PRE to be used for the Sale of Units? If yes, please provide the firm's name and if it is affiliated with the HA (e.g. the PHA's 501(c)(3)) Note: Also see Section II (A) Addendum for the more detailed submission requirement

I. Non-purchasing Residents
Purpose: To provide information relative to the handling of displacement of residents that decline the right of first refusal for sale of their unit.
Instructions: Please provide description of plan for working with non-purchasing residents of Public Housing Units, including, notification/counseling of rights, right of first refusal, and any relocation assistance that must be provided pursuant to 24 CFR 906.24.

J. Sale Proceeds
Purpose: To determine if the PHA is in compliance with the guidelines and restrictions on use of resale proceeds and fees to support the provision of low income housing.
Instructions: Sales proceeds are defined as proceeds realized by the owner entity/developer from the sale of homeownership units after the payments of the construction loan(s), the developer fee, and all other project costs have been satisfied. Answer the following questions in narrative form for the proposed homeownership project. Please include the goals, eligible uses, and method for recycling funds. All proceeds must be used in accordance with the PHA's Annual Plan and for low-income housing purposes. If the homeownership plan utilizes a PRE, the PHA may opt to have the PRE return sale proceeds to the PHA or permit the PRE to use them for low-income housing purposes.

K. Records, Accounts, and Reports
Purpose: To determine the PHA has policies for retaining documentation of unit sales and compliance with program requirements.
Instructions: The plan must provide a description of the PHA's (and PRE's, if applicable) record-keeping, accounting, and reporting procedures that will be used. Please include a description of the record-keeping procedures used by a PHA relative to administrative records, records of the purchase, financial records, as well as, a plan for an annual report on sales of public housing units in HUD/PIC and in its PHA Plan.

L. Timetable
Purpose: To provide HUD with a timeframe for project performance, progress and completion.
Instructions: Please fill in the date range of activities including activities for the first unit sold up to and activities for the last unit sold. For example, if the PHA is acquiring units, the first unit will be acquired on 12/04 and the final unit will be acquired 12/05, the range would be 12/04 through 12/05. If a specific milestone does not apply to the proposed program please check the box labeled N/A.

M. Description of the Deed or Title Restrictions
Gains from Appreciation
Purpose: To determine if the PHA's provisions (where applicable) adequately protect the PHA's investment in the homeownership project.
Instructions: If the PHA is writing down the cost of construction (e.g., the construction cost exceeds the sale price/appraised value), it must consider a provision in its homeownership project to recapture all, some or none of the gains from appreciation. This provision limits the amount the subsidized original purchasers can realize due to appreciation of the property upon sale for a period of time, and is generally recorded in a deed restriction. The PHA's recapture policy on appreciation may range from no recapture to recapture of total appreciation. This provision only applies to the sharing of sale proceeds and does not address the recapture of financing that the PHA may elect to provide directly to a purchaser. If applicable, describe how the PHA will treat the gain upon resale that the subsidized buyer can realize due to appreciation of property.

Recapture Provisions

Purpose: To determine if the proposed recapture provisions (where applicable) are appropriate for the target purchasers, are coordinated with direct financing terms of local partnering affordable homeownership programs, and adequately protect the PHA's and purchasers' investments in the homeownership project.

Instructions: The PHA must set a policy regarding recapture upon resale of government-provided assistance and/or direct financing made to the purchaser to the extent that there are net proceeds. This includes the PHA downpayment, closing cost assistance, subordinate mortgage financing, or below-market financing (e.g., sale of the unit for less than appraised value of the home). However, this policy may range from no recapture of assistance to full recapture of assistance. If applicable, describe the terms of the direct financing to purchasers and terms of recapture. Describe also the method of recapture (e.g., via a promissory note). If the PHA chooses to forgive the direct financing over time, fill out the table below as applicable. (Table may be modified to reflect longer-term or shorter-term forgiveness schedule).

Direct Financing
If there is additional direct financing (e.g. secondary mortgages or other loans) from participating local affordable homeownership program partners or private lenders, briefly describe the source of these funds and the terms of the direct financing and amount of direct financing per purchaser. Include information on the subsidy limits of the financing, if applicable. Describe how the PHA's direct financing terms coordinate with the local program partners' financing terms.

II. SUPPORTING DOCUMENTATION
In accordance with 24 CFR Part 906.40, PHAs submitting a Section 32 Homeownership Plan must provide HUD the following supporting documentation:

A. PRE (Purchase and Resale Entity)
If the PHA is utilizing a PRE, the plan should include the following:
Organizational documents of the PRE;
Regulatory and Operating Agreement between the PHA and PRE regarding the provision of operating subsidy and operation of public housing units prior to sale of the units to purchasers (Include a description indicating how much operating and capital fun subsidy is lost due to removal of these units from the PHA's inventory);
Management agreement and plan;
Financing documents (if any);
Operating pro forma describing use of operating subsidy during period of PRE's ownership;
Mixed-finance ACC Amendment governing these units;
Deed restriction or covenant running with the land assuring that the PRE will operate the units in accordance with public housing laws and regulations including 906.19 of Section 32 regulations;
Bond for repairs or proof of insurance to cover any damage to the property during the period of PRE ownership and operation; and
Any other materials required by HUD.

The PRE attachment must describe the PRE qualifications, marketing plan, and a description of that entity's responsibilities as well as information demonstrating that the written agreement between the PRE and PHA contains or will contain the following: rights and responsibilities of parties; assurances of compliance with program requirements; assurances of deed restrictions on acquisition and resale of units; description of how the net proceeds will be determined and used; protections against fraud and misuse; limitations on overhead and profit; record keeping/reporting requirements; assurances of non-discrimination against eligible purchasers; adequate legal remedies; assurances of sale only to low-income households; a five-year limit on sale to eligible buyers; and the notification process to households (relocation, environmental review).

B. Feasibility Statement. A feasibility tool consisting of a set of spreadsheets is available on the SAC website. The HA must show there are two eligible buyers for every unit the HA intends to sell. The

method of proof is at the HA's discretion. Please do not submit specific resident information like names and Social Security numbers, which should be on file in the HA's office, subject to review.

C. Legal Opinion. A letter from the HA's legal counsel certifying that the closing documents support the narrative of the Deed and Title restrictions, and that these restrictions are in compliance with local and State law.