

# Affordable Housing Ownership Program - Q & A

October 2015

## What is Denver's Affordable Housing Program?

### Denver's program is . . .

- An opportunity for income-eligible buyers to purchase an affordable, covenant-restricted home
- Based on both minimum and maximum income requirements
- Based on the income of your entire household
- Based on an approval process that can take **10 business days after all required information is provided**
- Requires owner occupancy
- Requires homebuyer counseling
- Separate from obtaining a mortgage

### What this program is not . . .

- The Denver Housing Authority
- Available to households that earn less than \$28,000
- A way to obtain direct financial assistance
- A way to obtain a Section 8 voucher
- For emergency shelter
- An investment opportunity for "fix and flip"
- A housing counseling agency

## If You're Interested in Purchasing an Affordable Home

### Who may apply for this program?

Any person or household who meets the eligibility requirements may apply. However, you must be able to qualify for a mortgage on your own.

### Do I have to be a first-time home buyer?

No. As long as your income is within program limits and you meet program requirements, you may be eligible to purchase an affordable home.

### Where can I find information on available housing units?

You can visit [www.coloradohousingsearch.com](http://www.coloradohousingsearch.com) for available units.

### Do I have to attend a homeownership education class to qualify for this program?

Yes, you are required to attend a homeownership education class and obtain a certificate of completion. Several nonprofit housing counseling organizations offer these classes free of charge. You can find these organizations on this site.

### **What are the income limits for the program?**

The Affordable Housing Program has minimum and maximum [income limits](#), depending on the household size, that are based on the Denver Area Median Incomes (“AMI”) published annually by the U.S. Department of Housing and Urban Development. The minimum income limit is 50% AMI; maximum income limits depend on Covenant requirements.

### **My income exceeds income limits. Can an exception be made?**

There are no exceptions made in regards to the household income limits. These income limits are established per the above guidelines and are immutable.

### **My spouse will not be on the loan and/or doesn't work. Can I submit an application with only my information?**

No. Regardless of who is on the loan or their status, each adult household member must provide the information required per the application.

### **How long can I expect my application to take to be processed?**

Incomplete files cannot be approved, so be sure to provide everything promptly that is required. Once your application is complete, we have 10 business days to verify household income and fully process it. Remember that a completed application includes all of the income data for each household member.

### **What must be included with the application?**

Every household member must provide all the information requested on the Application, including but not limited to:

- Name /Address of the development in which you're interested in purchasing
- Completed application signed and dated by all applicants.
- Transcripts of the last TWO YEARS of FEDERAL income tax returns. You may obtain copies of Federal transcripts by calling the IRS at 1-800-829-1040 or submitting a request on-line via [www.irs.gov/Individuals/Get-Transcript](http://www.irs.gov/Individuals/Get-Transcript).
- Last TWO MONTHS of statements for all checking, savings or other asset accounts. Asset accounts include stocks, bonds, money market accounts, individual retirement accounts and government bonds. The interest or dividends earned from these accounts will be added to your annual gross income.
- Employment verification form for each employed household member age 15 or older.
- Copies of the last TWO MONTHS [pay stubs](#) from each employed household member age 15 years and older. IF SELF EMPLOYED, three years of Profit & Loss statements.
- Award letter(s) if receiving social security, pension, survivor, disability payment or Temporary Assistance to Need Families (TANF).
- If receiving a financial gift from another person, the person will need to provide a letter that includes the amount of the gift and when the gift will be given.
- If you have been divorced since you last filed your federal income tax form, a copy of your executed divorce decree and separation agreement. Applications will not be processed until a final divorce decree has been issued.
- If divorced, a copy of the executed Divorce Decree, Separation Agreement and Child support/Custody orders if there are minor children. Applications will not be processed until a final divorce decree has been issued.

### **What are the four most common application omissions?**

1 - Not including income information for each household member;

2 - Submitting only two paystubs, not realizing that most paystubs cover only a two-week period, thus leaving one month of paystubs unaccounted for;

3 - Self-certifying the Verification of Employment (“VOE”); the VOE must be completed by the employer and submitted directly to our office; and

4 - Providing bank statement print-outs that do not include account or institutional information.

### **How long is my income-verification valid?**

Your income verification is valid for six months as long as your income does not change. However, if you signed a purchase contract prior to or within the six months, the validity is automatically extended until the close or cancellation of the purchase contract. You must notify the City immediately if your income changes after receipt of the income determination and prior to purchase.

### **I was income-verified over nine months ago but did not purchase an affordable unit home. Do you still have my file?**

No. Files are only kept for six months unless you applied for a renewal. Renewals may require the provision of updated income information.

### **I do not have a job. Can I still apply?**

In order to assure future homeowner success, we require demonstration of earned income such as two months of pay stubs or a year-to-date profit and loss statement for those who are self-employed.

### **I am self-employed. What will you accept in the place of a pay stub?**

If you are self employed, you must submit three years of profit and loss statements. If you have just become self-employed, please submit a year-to-date profit and loss statement prepared by either you or your accountant and copies of any existing contracts. The statement must be notarized, sworn to, and signed by you. Self-employment income must also be documented via your federal tax returns.

### **I lost last year's tax return. Do you really need it?**

Yes. Incomplete applications will not be processed. You can contact the Internal Revenue Service to request a summary statement of your previously filed tax return. Request transcripts by calling 1-800-829-1040 or at [www.irs.gov/Individuals/Get-Transcript](http://www.irs.gov/Individuals/Get-Transcript).

### **My last tax return shows more income than I now make. Will this affect my eligibility for the program?**

Probably not. We use pay stubs and employer verification to determine your current and projected future income. Your tax return is used to verify other information on your application.

### **I just arrived in the U.S. and have never filed taxes. What do I need instead of tax returns?**

Please contact the Internal Revenue Service to request a Form 4506T stating that you have not filed federal taxes in the last two years. You can request this form by calling 1-800-829-1040 or by accessing [www.irs.gov/Individuals/Get-Transcript](http://www.irs.gov/Individuals/Get-Transcript).

### **I have a relative who will be co-signing my mortgage loan but will not live in the home I am purchasing. Will my co-signer have to be income-verified as well?**

It depends on whether the relative’s name is going to appear on the Deed of Trust. If the co-signer, regardless of whether they will live in the unit, is listed on the Deed of Trust, then they are considered to have an ownership interest in the home and must be income-verified. However, if the co-signer is not listed on the Deed of Trust, then

they do not have to be income-verified. Meanwhile, please be aware that *any person who is going to live in the home must be income-verified.*

**I am receiving a gift from a relative for down payment assistance and closing costs. What do I do?**

You should provide a letter from the person giving you the gift indicating the amount of the gift and the circumstances surrounding it.

**Do you provide financing on my home?**

No. The City does not provide mortgage financing. Purchasers must receive their financing through a legally recognized commercial lender, such as a bank or mortgage company.

**Is this a subsidized program?**

No. Private developers are required by ordinance to provide a certain number of affordable homes within developments of 30 or more for sale homes. Neither the City nor the developers provide a subsidy to buyers. However, a nonprofit housing counseling agency may have information on various assistance programs. Please contact them directly for information.

**How about seller-assisted down-payment assistance?**

The City does not allow the use of any seller-assisted programs. These programs have a negative effect on affordable housing by artificially inflating the purchase price of a home.

**Is moderately priced housing the same as low income housing?**

No. The City defines moderately priced or workforce housing as housing that is affordable to persons earning between 50% and 80%.

**My income is below \$28,000. Where can I find a place to live in Denver?**

The Denver Housing Authority (DHA) offers a variety of programs to assist very low income households. DHA can be reached at 720.923.3107. You can also view their website for additional information at [www.dhanet.com](http://www.dhanet.com).

**This is an emergency! Can you find me a place to live right now?**

Please contact Mile High United Way at 211 or (303) 433-8383 for a list of emergency housing providers. You can also view their website for additional information at [www.unitedwaydenver.org](http://www.unitedwaydenver.org).

**If You're a Current Affordable Homeowner**

**My property tax bill shows an assessment that is higher than the maximum I am allowed to sell my unit for. What do I do?**

If you signed and recorded a Memorandum of Acceptance (“MOA”) when you purchased your home, the assessor's office will use the restricted value to determine your taxes. Without an MOA, your tax will reflect the unrestricted market value of your property. Provide a copy of your MOA to the assessor's office to correct the mistake.

**What is a Memorandum of Acceptance? I don't remember signing one.**

The MOA documents your acknowledgment and understanding of the covenant restrictions placed on your property. It was provided at the time of closing.

### **May I rent out my affordable unit?**

No. You must live in the affordable unit as your primary residence or you must sell it. However, you can have a roommate as long as you continue to occupy the affordable unit as your primary residence.

### **If I pay off my mortgage, does my obligation to the Affordable Housing program will remain in effect?**

Yes. The Covenants on your affordable unit are not tied to your mortgage; they are tied to the property itself. Therefore, paying off your mortgage does not relieve you of your obligation to adhere to the covenant terms and conditions you agreed to when you purchased your property.

### **If my Covenant allows inclusion of a broker commission, what is the maximum allowable commission?**

The maximum allowable broker commission, if allowed by covenant, is 6%.

## **If You're a Builder or Developer**

### **I am scheduled for a pre-development meeting with the Denver Community Planning and Development office. What should I do to document compliance with the IHO?**

Before you apply for the necessary permits for your development, you must complete an Affordable Housing Plan ("AHP"), which documents how you will comply with the ordinance. Please contact OED at 720.913.1999 to schedule an IHO review meeting.

### **How much extra time does this add to the permitting process?**

The AHP process does not add any extra time to the permitting process. It occurs concurrently with the permit process. An approved AHP is required before an applicable permit is issued.

### **How are the sales prices of my affordable units established?**

The City uses a pricing formula to calculate the initial maximum sales prices. The formula uses the U.S. Department of Housing and Urban Development's published Denver area median incomes, average interest rates for the six months prior, real estate taxes, homeowners association fees, and other factors.

### **My first affordable units are nearing completion and I want to start marketing to income-eligible households. What should I do?**

Please contact City to notify them that sales are ready to occur. They can meet with on-site sales staff to discuss the program and its requirements. Remember that you are required to list the affordable units on [www.ColoradoHousingSearch.com](http://www.ColoradoHousingSearch.com). It is also strongly advised that the affordable units are listed on MLS as separate listings and that your website has a separate, clickable link to the affordable units.

### **Does the city maintain a list of income-verified households that I can contact?**

The City refers all potential purchasers of affordable unit homes to the web site listed above for affordable unit home listings. This site is advertised by affordable housing providers throughout the state.

### **How do I apply for the cash incentive?**

Once the Certificate of Occupancy has been obtained, please contact City staff to request an inspection. After inspection and the sale of the affordable unit, you may submit a Rebate Request Form to the City. This form is available on this site.

### **Why do I have to request an inspection? Is this the same as the building inspection?**

This inspection is not the same as the building inspection. It is meant to ascertain that the units built meet the functional requirements stated in the Affordable Housing Plan. This inspection must be completed and passed prior to the issuance of cash incentives.

## **If You're a Real Estate Agent and Other Professional**

### **I have a client who wants to buy an affordable unit home. What should I do?**

- Ensure that the buyer is income-verified prior to signing a purchase contract. If they are not, assure the offer is contingent upon buyers being income verified. Affordable units may not be sold to non-income verified buyers.
- Assist the buyer in assuring all requested income documents have been provided with the Income Verification form.
- Make sure buyer has read and understood the Covenant and Memorandum of Acceptance (MOA) before signing.
- Once the buyer has been income verified, submit title company contact information to the City as soon as closing is scheduled.

### **I have a client who wants to sell an affordable unit home. What should I do?**

- Have your client obtain a Maximum Resale Price from the City.
- List the unit on [www.ColoradoHousingSearch.com](http://www.ColoradoHousingSearch.com).
- Ensure that the buyer of the affordable unit has been income verified by the City.
- Submit title company contact information to the City as soon as closing is scheduled.

### **How can I tell if a unit is an affordable unit home?**

Please contact the City to verify if a unit is affordable via e-mail to: [affordablehousing@denvergov.org](mailto:affordablehousing@denvergov.org). Please include the owner's name, and the exact address of the unit, including unit number. You may also review the title work to ascertain if an Affordable Housing Plan or Covenant has been recorded against the property.

### **What is the control period on an affordable unit home, and what does it mean?**

The control period is a set period of time the Covenant (and its terms) are in effect. During the control period, the affordable unit must be sold at a restricted price to an income-qualified buyer and cannot be rented. The control period is not re-set or restarted with the resale of any unit.

### **Are there any limits on the sale price of an affordable unit home after the control period is up?**

It depends on the Covenant. For IHO units, if the sale is the first to occur within 10 years after the end of the 15-year control period (i.e. years 16 through 25), half of the excess profits must be paid to the City's Housing Incentive Program Fund. This requirement may or may not apply to, and may be somewhat different, for projects built under rezoning agreements or are large-scale developments. Please refer to the project covenant or contact the City.

### **Once the control period has expired, can the owner sell to whomever they want to?**

The City has a right of first refusal and must be offered the affordable unit home at a fair market price during the first 30 days after expiration of the control period. If after that time the City does not make an offer to purchase the unit, the owner can sell it to any buyer at market price. However, the excess profit must be shared if the sale meets the condition described above.

### **What is the definition of "excess profit?"**

Generally, excess profit is calculated by first determining an "affordable unit home sale price." This figure is then subtracted from the contract sales price to determine "excess profit." For IHO units, the City is entitled to one-half of

the excess profit from the first sale of an affordable unit occurring within 10 years after the end of the control period. Excess profits may or may not apply to projects built under rezoning agreements or large-scale developments. Please refer to the project Covenant or contact the City.

**How are the affordable requirements enforced?**

The City's affordable requirements are enforced through Covenants that are placed on the property. Once the control period has ended, and once the City has received its share of the excess profits (if applicable), these covenants are released.

**Does the city take action against affordable unit homeowners who do not follow the covenants and program requirements?**

YES. The City will vigorously enforce all requirements and, when necessary, seek any and all legal remedies as provided by the ordinance.

**If my Covenant allows inclusion of a broker commission, what is the maximum allowable commission?**

The maximum allowable broker commission, if allowed by covenant, is 6%.