

## FREQUENTLY ASKED QUESTION FOR HOUSING LOTTERIES

### GENERAL QUESTIONS:

**Q: Who is eligible to apply for Affordable Homes.**

A: Applicants must be first-time homebuyers. A person is a “first-time home buyer” if no person in his or her household has, within the preceding three years, owned a home or owned an interest in a home with one or more people, such as through joint ownership.

Displaced homemakers and households over the age of 55 do not have to be first-time homebuyers, but must sell their current property in order to be eligible.

Displaces Homemaker as defined by-the Department of Housing and Community Development (DHCD) is: “where the Displaced Homemaker (an adult who has not work full time, full year in the labor force for a number of years but has, during such years, worked primarily without numeration to care for home and family), while a Homemaker, owned a home with his or her partner, or resided in a home owned by the partner”.

**Q. I have owned a home within the last three (3) years and now divorced, would I be considered a First Time Homebuyer?**

A: Only if you are a “Displaced Homemaker” as defined above by DHCD.

**Q: What is the maximum family income and asset eligibility requirement?**

A: To be eligible to purchase an affordable home, annual income and assets of all **household members** must be below the maximum level as adjusted for family size. For information regarding maximum household income for a particular community, kindly visit the below link [www.huduser.org/datasets/il/il2007/select\\_geography.odb](http://www.huduser.org/datasets/il/il2007/select_geography.odb)

or

Refer to the actual housing lottery information package as shown in the lottery link of our website.

## **MAXIMUM ASSETS**

### **Definition of Assets**

The value of necessary items of personal property, such as furniture or automobiles shall be excluded. Determination of assets shall be based upon a full and fair present cash value of the asset at the time of application to the program. If a potential purchaser divests himself or herself of an asset for less than full and fair present cash value of the asset within one year prior to application, the full and fair cash value of the asset at the time of its disposition must be declared and shall be included for purposes of calculating eligibility.

### **Household Assets include the following:**

1. Cash held in savings and checking accounts, safe deposit boxes, homes, etc: For savings accounts, use the current balance. For checking accounts, use the average balance for the last six months. Assets held in foreign countries are considered assets.

2. Revocable trusts: The cash value of any revocable trust available to the applicant.

3. Equity in rental property or other capital investments: The current fair market value less (a) any unpaid balance on any loans secured by the property and (b) reasonable costs that would be incurred in selling the asset (e.g., penalties, broker fees, etc.).

4. Stocks, bonds, Treasury bills, certificates of deposit, mutual funds, and money market accounts: The value of stocks and other assets vary from one day to another and should be determined within a reasonable time in advance of the applicant's submission of an application to participate in the subject housing program.

5. Individual retirement, 401K, and Keogh accounts: When the holder has access to the funds, even though a penalty may be assessed. If the applicant is making occasional withdrawals from the account, determine the amount of the asset by using the average balance for the previous six months. (Do not count withdrawals as income.)

6. Retirement and pension funds.

a) While the person is employed:

- Amounts the applicant can withdraw without retiring or terminating employment. Count the whole amount less any penalties or transaction costs.

b) At retirement, termination of employment, or withdrawal:

- Periodic receipts from pension and retirement funds are counted as income. Lump-sum receipts from pension and retirement funds are counted as assets. Count the amount as an asset or as income, as provided below. If benefits will be received in a lump sum, include the lump-sum receipt in net household assets. If benefits will be received through periodic payments, include the benefits in annual income. Do not count any remaining amounts in the account as an asset.

If the applicant initially receives a lump-sum benefit followed by periodic payments, count the lump-sum benefit as an asset as provided in the example below and treat

the periodic payment as income. In subsequent years, count only the periodic payment as income. Do not count the remaining amount as an asset.

**NOTE:** This paragraph assumes that the lump-sum receipt is a one-time receipt and that it does not represent delayed periodic payments. However, in situations in which a lump-sum payment does represent delayed periodic payments, then the amount would be considered as income and not an asset.

7. Cash value of life insurance policies available to the applicant before death (e.g., the surrender value of a whole life policy or a universal life policy): It would not include a value for term insurance, which has no cash value to the applicant before death.

8. Personal property held as an investment: Gems, jewelry, coin collections, or antique cars held as an investment. Personal jewelry is NOT considered an asset.

9. Lump-sum receipts or one-time receipts: Inheritances, capital gains, one-time lottery winnings, victim's restitution, settlements on insurance claims (including health and accident insurance, worker's compensation, and personal or property losses), and any other amounts that are not intended as periodic payments.

10. A mortgage or deed of trust held by an applicant: Payments on this type of asset are often received as one combined payment of principal and interest with the interest portion counted as income from the asset. This combined figure needs to be separated into the principal and interest portions of the payment. (This can be done by referring to an amortization schedule that relates to the specific term and interest rate of the mortgage.)

To count the actual income for this asset, use the interest portion due, based on the amortization schedule, for the 12-month period following the certification. To count the imputed income for this asset, determine the asset value at the end of the 12-month period following the certification.

**Household Assets DO NOT include the following:**

- Personal property (clothing, furniture, cars, wedding ring, other jewelry that is not held as an investment, vehicles specially equipped for persons with disabilities).
- Interests in Indian trust land.
- Term life insurance policies (i.e., where there is no cash value).
- Equity in the cooperative home in which the applicant lives.
- Assets that are part of an active business: "Business" does NOT include rental of properties that are held as investments unless such properties are the applicant's main occupation.
- Assets that are NOT effectively owned by the applicant: Assets are not effectively owned when they are held in an individual's name, but (a) the assets and any income they earn accrue to the benefit of someone else who is not the applicant, and (b) that other person is responsible for income taxes incurred on income generated by the assets.

**Q: What constitutes a household?**

A: A household constitutes the number of persons living in the home regardless of marital status.

Gross income from all household members over the age of 18 (except for full time students) shall be considered in determining compliance with income eligibility requirements.

**Q. I am expecting a child do I add the child to our household size?**

A: Please provide information with the application on the due date of the child and we will determine if the child can be included in the household size which said determination will need to be confirmed by the Monitoring Agent.

**Q: Our total Gross Income including an unusual bonus rendered our income higher than the guidelines. Are we automatically disqualified?**

A: On a case by case basis a determination will be made by the Consultant to be confirmed by the Monitoring Agent. If the bonus, overtime pay, or compensation is not customary or ordinary, a determination could be made that you still qualify.

**Q: What are the minimum income requirements?**

A: To qualify for a mortgage loan the total annual household income as determined by the lender, must adequate to support the requested mortgage amount.

Normally the lender will use a "Housing Debt Ratio" of housing expense to include principal, interest, mortgage insurance, real estate taxes and home owner's insurance and a "Total Debt Ratio" including housing and all other debts. The precise ratios and minimum income requirements will vary for each applicant according to the terms of the loan, the amount of the down payment, the interest rate, and other factors.

**Q: What are the sale prices of the "Affordable Homes"?**

A: The sale price is determined by calculating the household income of a family who is at 70% of the area median income ([www.huduser.org/datasets/IL/IL2007/st.odt](http://www.huduser.org/datasets/IL/IL2007/st.odt)) adjusted for family size, according to the number of bedrooms (3 bedroom=family size of 4). Then determining 30% of their income for housing cost including (principal, interest, mortgage insurance, taxes, homeowners insurance and any fees) equals the sales price which is interest rate sensitive. As example:

SALES PRICE CALCULATION  
(JAN 2008)

<b>2007 - WESTPORT - SINGLE FAMILY</b>	
<b>Purchase Price Limits</b>	
<b>Housing Cost:</b>	
<b>Sales Price</b>	<b>\$180,400</b>
5% Down payment	\$9,020
Mortgage	\$171,380
<b>Interest rate</b>	<b>5.75%</b>
Amortization	30
Monthly P&I Payments	\$1,000.13
<b>Tax Rate</b>	<b>\$5.25</b>
monthly property tax	\$79
<b>Hazard insurance</b>	<b>\$90</b>
PMI	\$111
<b>Condo/HOA fees (if applicable)</b>	<b>\$0</b>
<b>Monthly Housing Cost</b>	<b>\$1,281</b>
<b>Necessary Income:</b>	\$51,226
<b>Household Income:</b>	
# of Bedrooms	3
Sample Household size	4
<b>80% AMI/"Low-Income" Limit</b>	<b>\$58,550</b>
<b>Target Housing Cost (80%AMI)</b>	<b>\$1,464</b>
10% Window	\$51,231
<b>Target Housing Cost (70%AMI)</b>	<b>\$1,281</b>

For specifics regarding sales price information regarding a particular community where we are conducting a lottery, please refer to the actual lottery information package as shown in the lottery link of our website.

Sales prices are interest rate sensitive.

## LOTTERY PROCESS:

**Q. Why is there a Lottery?**

**A:** The Lottery selection process is for use in the typical situation where the number of affordable applicants exceeds the number of affordable homes.

**Q: What is the schedule for applications and the selection of buyers for the affordable homes?**

**A:** We will be publicizing the availability of affordable housing opportunities in area newspapers in addition to minority newspapers.

**Usually Applications are available at town public buildings such as:**

**Town Hall  
Library**

**Also, Applications are available online at [www.CHAPA.org](http://www.CHAPA.org), [www.massaffordablehomes.org](http://www.massaffordablehomes.org). or download from the lottery link of our website.**

A Public Workshop will normally take place at the Hall or town library. We and representative of lending institutions may be available to answer questions regarding the eligibility requirements, priorities for selection, lottery process and financing. In addition, to questions regarding house styles, specification, pricing, etc. **We strongly urge all interested parties to attend.**

**All applications must be received by Delphic Associates, LLC no later than deadline as specified in the application. CERTIFIED RETURN RECEIPT REQUESTED to:**

**Delphic Associates, LLC  
651 Orchard Street, Suite 308  
New Bedford, MA 02744**

**Late and incomplete applications will not be entered into the lottery – NO EXCEPTIONS!!**

Applicants shall be notified that their applications have been received and the confirmation code that has been assigned to their application.

The Lottery will typically take place at Town Hall.

All applicants will be notified of their lottery status in approximately one (1) week from the Lottery drawing.

The Monitoring Agent will be reviewing income and asset information for final eligibility approval.

**Q. Will there be more than one Lottery?**

A: In cases of large scale developments (50 or more homes) may require more than one lottery. Once all qualified applicants from both the “Local” and “At-Large” categories have been exhausted applications will be accepted on a first come first serve basis. A second lottery may be necessary. The Town, CHAPA, and the developer will make this determination at the appropriate time.

**Q. How is the Lottery conducted?**

Only **complete applications** will be entered into the lottery.

A: Each applicant shall be assigned a confirmation code once all required information is received. Those confirmation codes are placed in each lottery pool in which they qualify.

There shall be a **local preference pool** and an **at-large pool**. After the application deadline has passed, a determination shall be made to determine the number of local resident minority households in the municipality and the percentage of minority applicants in the local preference pool. If the percentage of minority applicants in the local resident households and in the local preference pool is less than the percentage of minorities in the surrounding HUD-defined area, the following adjustment to the local preference pool shall be made:

A preliminary lottery comprised of all minority applicants who did not qualify for the local preference pool shall be held, and the applicants shall be ranked in order of the drawing. Minority applicants shall be added to the local preference pool in order of their rankings until the percentage of minority applicants in the local preference pool is equal to the percentage of minorities in the surrounding HUD-defined area.



## **MINORITY APPLICANTS:**

A minority applicant is defined by MassHousing Division of Compliance and Diversity as:

- Black
- Hispanic
- Cape Verdean
- Asian
- Pacific Islanders
- Native American

### **Q: Is there any preference or priorities for any applicants?**

A: Applicants will be categorized based upon one of two groups as shown below.

- LOCAL or AT-LARGE

## **LOCAL PREFERENCE:**

### **EQUAL PRIORITY SHALL BE GIVEN TO THE FOLLOWING:**

- **Present Residents of the town**
- **Children of Present residents of the town**
- **Parents of Present Residents of the town**
- **Military Personnel**

If a military applicant was a resident in the Town at the time of enlistment, they shall be considered a local resident, regardless of their military domicile

To be considered a Local Applicant documentation shall be provided at the time of application and could include rent receipts, utility bills, census listing or voter registration listing, etc.

Town will actually determine the Local Preference which is not limited to the above categories.

## **AT LARGE:**

All Applicants not identified as Local shall be classified as “AT-LARGE”.

Applicants shall be selected on a ratio of 70% from Local Applicants and 30% from At-Large applicants. Once the list for Local Preference is exhausted, applicants shall be chosen from the At-Large applicant group.

Within each group there shall be a preference

### **For Larger Households**

Within each category first preference shall be given to households requiring the total number of bedrooms in the home based on the following criteria:

- a. There is at least one occupant and no more than two occupants per bedroom.
- b. A husband and wife, or those in a similar living arrangement, shall be required to share a bedroom. Other household members may share but shall not be required to share a bedroom.
- c. A person described in the first sentence of (b) shall not be required to share a bedroom if a consequence of sharing would be a severe adverse impact on his or her mental or physical health and the lottery agent receives reliable medical documentation as to such impact of sharing.
- d. A preference for three bedroom homes will be given to applicants as follows:

5 or more persons in the household, followed by  
4 persons in the household, followed by  
3 persons in the household, followed by  
2 person in the household, followed by  
1 person in the household.

### **Q. I “won” the lottery do I automatically get a home?**

A: Because you rank high in the lottery process does not mean that you automatically “win” a home. It means that you have won the opportunity not the obligation to purchase a home. You must still meet all program

eligibility requirements and will need to receive a financing commitment to purchase the property. If you meet the eligibility requirements but are unable to secure financing you will lose the opportunity to purchase the home.

**Q. I did not receive a high ranking in the lottery process will I be able to purchase a home?**

A: Many times there is a movement on the ranking list. Applicants who received a high lottery ranking may have withdraw their application or may not be able to obtain a financing commitment or decided not to go forward for a variety of reason. From time to time applicants can inquire of changes to the lottery list.

**Q. After the initial Lottery, what is the process of selecting an affordable buyer, should the number of applications be less than the number of affordable homes.**

A: Applications will be received on a "Rolling Basis" and homes will be given to qualified applicants on a first come first serve basis.

## FINANCING:

**Q: Do I need to attend homebuyer education classes?**

A: All financing programs offered by “MassHousing” [www.MassHousing.com](http://www.MassHousing.com) and “MassHousing Partnership” [www.MHP.net](http://www.MHP.net) require the borrower to complete a pre-purchase homebuyer education course,

**Q. Do we need to get a pre-approval from a lender?**

A: Yes. Applicants are required to submit a pre-approval letter (not a pre-qualifying letter) with the application. A preapproval letter is where the lender will review the buyer’s credit, housing and total debt ratios, work history and other criteria.

Households should demonstrate availability of sufficient funds for a down payment, closing costs and prepaids.

For down payment and closing costs assistance programs, please refer to [www.mhp.net/uploads/resources/softsecond\\_community\\_downpay\\_assist.pdf](http://www.mhp.net/uploads/resources/softsecond_community_downpay_assist.pdf)

**Q. How or where do I apply for a mortgage?**

A: We have a variety of lending sources that are familiar with the qualifying process to purchase the affordable homes. We are willing to share these references with all, however, other lenders and mortgage brokers may participate in this process.

There are many programs available for First Time Home Buyers including those offered by the MassHousing such as “**My Community**”. We suggest you or your lender refer to the MassHousing website [www.MassHousing.com](http://www.MassHousing.com).

There are also programs being offered by the MassHousing Partnership (MHP) such as the “**MHP Soft Second Program**” which is offered to buyers typically at a rate of 1% less than a lenders typical best rate to a conventional buyer. We suggest that you contact a lender who is on the list of lenders participating in the program as shown on the MHP website [www.MHP.net](http://www.MHP.net).

Some of the program requirements are:

1. That the mortgage be a fixed rate for a long term typical 25 to 30 years;
2. Household members can not be co-signers on the mortgage;
3. Buyer is responsible for all down payments and closing cost;

**Q. How or much of a down payment will I need?**

A: Many programs are being offered with a minimum down payment between 3-5% of the purchase price of which 1.5% must be from the buyers own funds the balance can be obtained by gift or from down payment and closing cost assistance programs.

In addition to the down payment the buyer will also need closing costs and prepaids.

**Q. Are there restrictions on my home upon resale or refinancing?**

A: Yes, the intention of the Affordable Housing Programs is to give persons the opportunity to purchase homes at reduced prices that otherwise may not qualify for a conventional purchase. As an example if you purchase a home for \$180,000 there is a possibility that home could be worth as much as \$400,000 on the open market, however, you would not be able to sell the home at \$400,000 and pocket the difference.

If you choose to sell your home or refinance there is a limit on the resale price or refinancing amount which is determined by the Deed Rider. Upon resale or refinance you must notify the community and the Monitoring Agent in accordance with the requirements in the Deed Rider. The Monitoring Agent will determine the Maximum Resale or refinancing amount. Typically the sales price is determined by the resale multiplier on your Deed Rider as an example an initial 3 bedroom home priced at \$180,400 and the current median income adjusted for family size is \$58,550 the resale multiplier would be  $\$180,400 / \$58,550 = 3.08$ .

In addition, the resale fee as indicated in the Deed Rider would be added to the Maximum Resale Price along with improvements of the home that had been approved by the Monitoring Agent.

**Q. I do not fully understand the conditions of the Deed Rider?**

A: As part of applications package we have included a summary of the Deed Rider explaining some of its key components. In addition, you may log onto our website [www.delphicassociates.com](http://www.delphicassociates.com) or that of CHAPA [www.chapa.org](http://www.chapa.org) for a complete typical Deed Rider.

If you still have questions and our office is unable to answer those questions to your satisfaction **we urge that you seek legal counsel.**

The Deed Rider is a critical legal document explaining your responsibility regarding re-sale, re-finance and household improvements.