

## FREQUENTLY ASKED QUESTION FOR HOUSING LOTTERIES

### **Q. What is a Housing Lottery?**

**A:** An affordable Housing Lottery is to give low-moderate income households, the opportunity of Home Ownership. This is a 'First-Time' home buyer program, with a few exceptions, in which Potential Buyers (Applicants) submit their application along with supporting documents to be reviewed and approved for the program. Once the application is reviewed and the applicant is deemed eligible for the Affordable Program, he/she will be submitted into a drawing for the next available affordable homes/condos.

### **Q: Why is there a lottery?**

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

### **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 with the **exception of:**

- Displaced homemakers where the displaced homemaker (an adult who has not worked full-time, full-year in the labor force for a number of years but has, during such years worked primarily without remuneration to care for the home and family), while a homemaker, owned a home with his or her partner or resided in a home owned by the partner
- Single parents where the individual owned a home with his or her partner or resided in a home owned by the partner and is a single parent is unmarried or legally separated from a spouse and either has 1 or more children of whom the individual has custody or joint custody or is pregnant.
- Elderly households (where at least one household member is 55 or over);
- Households that owned a principal residence not permanently affixed to a permanent foundation in accordance with applicable regulations; and
- Households that owned a property that was not in compliance with State, local or model building codes and that cannot be brought into compliance for less than the cost of constructing a permanent structure.

**Individuals who have a financial interest in the development and their families shall not be eligible.**

### **Q. If I presently own a home could I qualify to purchase an affordable home?**

**A.** Yes. Only if you meet the exceptions to the First Time Homebuyer rule as listed above. However, you must sell your home *before* you close on the affordable home. The equity in the home must be determined which is to be included in the determination of assets.

### **Q. If I am currently in the process of a separation and plan on being legally divorce can I still apply?**

**A:** Your divorce does not need to be finalized when you apply for the lottery; however it must be finalized before you purchase the home. You will not be allowed to purchase

and affordable home until the terms regarding the allocation of assets and custody of children must be finalized, so you're your income and assets eligibility can accurately be determined. If you have only filed for separation and your divorce is not finalized, you will not be allowed to purchase one of the affordable homes.

**Q: I am disabled; will the home be modified based on my disability?**

**A:** Developer, staff and consultants are committed to the intent and the spirit of both **state and federal fair housing laws** in the selection of lottery applicants. They will not discriminate against any protected class in the selection of applicants.

The developer has pledged that reasonable accommodations will be taken into consideration for an approved qualified disabled applicant, who has received a mortgage commitment, to adapt the home for the applicants' particular disability.

### **MAXIMUM INCOME -**

**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** as determined by HUD. Income limits are based on family size, which varies from town to town.

Generally, on an annualized basis the US Department of Housing and Urban Development (HUD) publishes income guidelines. The applicant will be subject to the published guidelines in effect at the time of their application. Incomes as stated above represent 80% of AMI as defined by HUD.

### **MAXIMUM ASSETS**

Household assets shall not exceed \$75,000

### **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: How do you determine household income?**

**A: Delphic Associates will determine a household's income based on all sources of income for all household members ages 18 or older with the exception of full-time students.**

This includes, but is not limited to, Social Security, alimony, child support, overtime pay, bonuses, unemployment, severance pay, part-time employment, matured bonds, monies to be received in court settlements and imputed interest and dividends on bank accounts and other assets.

**Q: What constitutes a household?**

**A:** A household constitutes the number of persons who plan to reside 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: You must submit documentation from your Obstetrician/Gynecologist or adoption agency stating you are expecting a child. This will determine if the child can be included in the household.**

**Q. How will applicants for the affordable homes be selected?**

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

**Late applications will not be considered for the lottery. NO EXCEPTIONS.  
Only complete applications will be entered into the lottery.**

Applicants will be ranked according to their lottery number drawn in each category. After the lottery, the highest ranked participants will be screened for any additional information required and verified priority, and upon approval of eligibility by DHCD will be invited to enter into a Purchase and Sale agreement and subsequently thereafter apply for a mortgage loan to purchase an affordable home. Affordable homes will be offered among the highest-ranking applicants who are found to be eligible and qualify for a mortgage loan. Applicants shall not be allowed to pick the style or location of the home. They shall simply be offered to purchase the next affordable home.

**Q: When will the affordable home be available for occupancy?**

**A:** The minimum rate of construction of the affordable unit is based on the comprehensive permit. Typically, the ratio is 1 Affordable Unit for every 3 Market Rate Units built. The developer has the option of accelerating this ratio.

**Q: Do I have to be a resident of the Town to apply?**

**A:** No. All households that meet the income guidelines specified above may apply for an affordable home.

**Q: Who will receive priority for the opportunity to purchase the affordable homes?**

**A:** Applicants will be categorized based upon Local and At-Large categories, as shown below as established by the Town.

**B:** A preference within each category, Local and At-Large, will be given to larger households that have four or more persons.

**Q: What are the group categories?**

**A:** Two drawing pools will be required. One pool is for the Local category and one pool is for the At- Large category. The number of homes designated in each category are listed below (Example):

LOCAL POOL ( 2 )

AT-LARGE POOL ( 2 )

Each group is defined as follows:

**LOCAL PREFERENCE:**

1. **Current Residents:** A household in which one or more members is living in the city or town at the time of application. Documentation of residency should be provided, such as rent receipts, utility bills, street listing or voter registration listing.
2. **Municipal Employees:** Employees of the municipality, such as teachers, janitors, firefighters, police officers, librarians or town hall employees.
3. **Employees of Local Businesses:** Employees of businesses located in the municipality.
4. **Households with children attending the locality's schools,** such as METCO students.

**AT-LARGE APPLICANTS:**

This is all applicants other than local preference applicants. If either lottery pool is exhausted, applicants from the remaining pool will then be offered the next available home until all remaining lottery pools have been exhausted or all homes have been sold.

**Q: Is there a priority for larger households?**

**A:** Preference will be given to households that require the number of bedrooms based on the following criteria:

- There is at least one occupant and no more than two occupants per bedroom.
- 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.
- 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.

***Example:** : A larger household preference is based on the “need for the number of bedrooms”, not the size of the household. For example, a couple with one child would “need” two bedrooms, where as a single parent with a boy and a girl would “need” three bedrooms. The single parent would have preference over the couple.*

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

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

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 are 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 as:

- Black or African American
- Asian
- Native American or Alaska Native
- Native Hawaiian or Pacific Islander
- Hispanic or Latino
- Other (not White)

**Q. I have been selected in the lottery; do I automatically get a home?**

**A.** No. 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 withdrawn 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 their status on the lottery list.

If there is an insufficient number of qualified applicants after all lottery lists have been exhausted, then upon DHCD approval, applications will be received on a “Rolling Basis” and homes will be given to qualified applicants on a first come first serve basis (“FCFS”).

**Q. Once I am entered into the lottery drawing will additional documents be required.**

**A:** Not for eligibility into the lottery drawing.

**Q. Once the lottery drawing has been completed, will additional documents be required?**

**A.** Yes. Prior to receiving “final approval” from the Monitoring Agent, DHCD (Department of Housing and Community Development), to purchase the home, you will need to obtain a “firm Financing commitment” from your lender. Upon the Monitoring Agent’s review and approval of the terms and conditions of your financing commitment they will issue an “Eligible Purchaser Certificate” which must be recorded at the Registry of Deeds at the time of the closing. The Monitoring Agent, DHCD, may request/require additional information to make their independent determination.

#### **FINANCING:**

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

**A:** All financing programs offered by “MassHousing” (NOTE: Not if it is a condo or in a rural area.) [www.MassHousing.com](http://www.MassHousing.com) and “MassHousing Partnership” [www.MHP.net](http://www.MHP.net) require the borrower to complete a pre- homebuyer education course. or [www.MAHHome.org](http://www.MAHHome.org) ([Massachusetts Affordable Housing Alliance \(MAHA\)](http://www.MAHHome.org))

We strongly suggest that all applicants complete a pre-purchasing homebuyer course prior to entering the lottery. A schedule of upcoming first-time homebuyer workshops is posted on CHAPA’s website at [www.chapa.org](http://www.chapa.org) under “Looking for Housing?”

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

**A:** Yes, A pre-approval is required for the application process. When applying for pre-approval, your approval must include a breakdown of the mortgage payment in addition to the interest, and term of the loan.

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

**A:** We strongly recommend that applicants apply for financing with banks that are familiar with the affordable housing deed restrictions (see Deed Rider Summary) and guidelines for affordable housing programs.

There are many institutional lenders and mortgage brokers that are familiar with the qualifying process to purchase the affordable homes. We are willing to share these references upon request by email or phone request. In addition there are other lenders

and mortgage brokers who may participate in this process. Your lender must be an institutional lender.

There are many programs available for First Time Home Buyers including those offered by MassHousing. We suggest you or your lender refer to the MassHousing website [www.MassHousing.com](http://www.MassHousing.com). There are programs being offered by the MassHousing Partnership (MHP) such as the “ONE Mortgage” which is offered to buyers typically at a rate of 1% less than 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)

Financing is being offered directly by United States Department of Agriculture (USDA) [www.rurdev.usda.gov](http://www.rurdev.usda.gov) such as the 502 Direct Loan. A 502 Direct Loan can provide a lower monthly mortgage payment than a commercial loan. Based on income and real estate qualifications, the loan may provide an interest rate subsidy.

**Q. Are there any requirements on the type of loan I receive?**

**A.** Yes. The program requirements are:

- Down payment must be 3% of which half can be a gift.
- Mortgage amount cannot exceed 97% of the purchase price.
- Mortgage loan must be 30-fixed rate.
- The loan has a current fair market interest rate of no more than 2 percentage points above the current Mass Housing rate. ([www.MassHousing.com](http://www.MassHousing.com))
- The Buyer may pay no more than 2 points.

Households should demonstrate availability of sufficient funds for a down payment, closing costs and pre-pays. Applicants should inquire with their lender as to what closing costs will be. Closing costs can include but may not be limited to fees for Loan Origination, Appraisal, Credit Reports, Inspection, Document Preparation, Attorney and Title Insurance. Pre-Pays can include interest that accrues from the date of settlement to the first monthly payment. Pre-Pays can also include insurances such as Hazard, Flood, and Mortgage Insurance.

Non-Household members cannot be co-signers on the mortgage.

\*An exemption to the above may be allowed for mortgages given by the US Department of Agriculture (USDA) housing program or often state and federal housing programs that may offer 100% financing which must be approved by the Monitoring Agent, DHCD.

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

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

Monthly housing costs (inclusive of principal, interest, property taxes, hazard insurance, private mortgage insurance and condominium or homeowner association fees) shall not exceed 38% of monthly income for a household earning 80% of area median income, adjusted for household size.

**Q: Once I am approved by the lender are there additional approvals required.**

**A:** Yes. Typically, your lender will re-qualify you for the loan a few days prior to closing, including but not limited to an additional credit check, job verification, marital status, etc. As a result your lender could deny your loan even though it may have been previously approved.

Therefore, before any household members decide to make any lifestyle changes, such as but not limited to; job changes, marital status, substantial additional debt for payments for large purchases, etc., consult with your lender as to what effect this could have on your loan.

**Q. Are there restrictions on 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. There is a likely possibility that the home you are purchasing could be worth substantially more on the open market without the deed restriction. However, you would not be able to sell the home at market rate prices and pocket the difference.

All affordable homes will have a “Deed Restriction” that will be recorded with the mortgage at the time of purchase. This deed restriction in part, limits the amount the home can be resold for or refinanced for and requires that it be resold to another affordable buyer. The deed restriction insures that the home stays affordable for perpetuity. You may find a summary of the Deed Restriction herein.

Upon resale or refinance you must notify the community and the Monitoring Agent, DHCD, in accordance with the requirements in the Deed Rider.

The Monitoring Agent, DHCD, will determine the Maximum Resale or refinancing amount. The price you paid for the property will be divided by the Base Income Number (which is the Area Median Income for a 4-person household). This determines the Resale Price Multiplier which is inserted into your Deed Rider. The Resale Price Multiplier will be multiplied by the Base Income Number at the time of your resale of the Property to determine the Maximum Resale Price. In addition, the resale fee as indicated in the Deed Rider would be added to the Maximum Resale Price along with capital improvements of the home that had been approved by the Monitoring Agent, DHCD.

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

**A:** Attached to the application section (Section Two) of the lottery package is a Deed Rider Summary explaining some of its key components. If you have further 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.

**Q. What if my understanding of the English language is limited?**

**A.** Delphic and the developer are committed to broadening access for persons with limited English proficiency (LEP) as a general Fair Housing principal.

Delphic Associates LLC and the developer have the capacity to address matters relating to limited English proficiency (LEP). This capacity includes language access planning and providing reasonable language assistance, at no cost to the applicant.

Persons who do not speak English as their primary language and who have a limited ability to read, write, speak, or understand English can be considered a LEP person. The developer, shall upon request, make reasonable accommodations, at no cost to the applicant to assist an LEP applicant of their understanding of important vital documents including but not limited to:

- Application materials
- Consent documents
- Notices concerning program eligibility
- Lease materials
- Other compulsory program materials