

Homebuyer Choice Program Realtor Handbook

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How HCLT Partners with Realtors

This Homebuyer Choice Program (HCP) provides financial support and professional guidance to the program participants. This packet summarizes information on the eligible homebuyer profile, eligible home standards, and purchase subsidy information for Realtors representing clients who are buying through the program. Realtors representing a client must attend an HCLT Orientation.

Professional Guidance and Stewardship

Houston Community Land Trust (HCLT) homebuyers must be represented by a licensed Realtor throughout their home purchase process. HCLT staff coordinates closely with Realtors to ensure that

1. Homebuyers are professionally guided through each step of the homebuying process.
2. The home and contract meet all program criteria to receive financial assistance.

Realtor Support

The Houston Community Land Trust Director of Real Estate Operations who oversees the process and works with realtors is Darren Blakemore, darren@houstonclt.org.



The Goal

At Houston Community Land Trust (HCLT), we believe that affordable, stable homes are a foundation for flourishing communities. With the Homebuyer Choice Program, Houston Community Land Trust partners with the everyday, modest-income homebuyers who are often priced out of quality homeownership opportunities in our rising housing market. We help those homebuyers purchase high-quality homes of their choice in the City of Houston at a cost to them that is affordable. Homebuyer Choice Program financial assistance grants help make the home's purchase price affordable.

The Program

The Homebuyer Choice Program enables the Houston Community Land Trust to partner with everyday, modest-income homebuyers to purchase a home within the incorporated city limits of Houston.

Financial Assistance Grant

The program is aided by financial assistance grants that are funded by the City of Houston. Up to \$150,000 in financial assistance is available for most qualifying home purchases under the program.

Financial assistance for home purchases is used to supplement the homebuyer's own affordable contribution to the home's purchase price, and to help cover the homebuyer's reasonable closing costs.



Affordability Through Community

In exchange for the financial assistance that lowers the cost of the home for homebuyers, Houston Community Land Trust permanently captures that affordability by placing the land beneath the home “in trust”. With the land beneath their home held in trust, the homebuyer joins a community of homeowners who share ownership with HCLT. The homeowner has exclusive use of the land through a 99 year lease with an option to renew for an additional 99 years (198 years).

Pay it forward

All HCLT homeowners agree to pass on the affordability of their home to future buyers both by

- limiting its resale price to an affordable amount set out in the long-term Ground Lease

and by

- agreeing to sell to a modest-income buyer who can deeply benefit from that affordability. (Of course, if the homeowner never decides to sell their home, it can be passed down through inheritance instead.)

Exclusivity

Even though the homeowner shares ownership with the Houston Community Land Trust, the homeowner maintains the **EXCLUSIVE** right to use and enjoy the land beneath their home for as long as they live there. This right includes the privilege and responsibilities of upkeep and maintenance of a traditional homeowner.



The Ground Lease

The Ground Lease is an essential part of the program because it is through the Ground Lease that the homeowner and HCLT protect the permanent affordability of the home. The Ground Lease is initially valid for 99 years, and it can be renewed by inheritors of the home for another 99-year period.

Use

The homeowner must occupy and use the home as their primary residence, not as a business or rental property. The homeowner enjoys reduced property taxes on the home while they own the home. This is because the home's taxable value is tied to its limited resale price, not to surrounding market values. HCLT also provides post-purchase stewardship and support services to homeowners, including administering a home repair fund and providing foreclosure prevention counseling and assistance services.

Inheritance

The Ground Lease, as well as title to the home, are inheritable by the homeowner's heirs and beneficiaries.

Resale of CLT Homes

The homeowner agrees that they will only sell the home—if and when they decide to sell—for a predetermined resale price. This price is designed to allow the homeowner to build some equity in the home through appreciation, while ensuring the home is affordable to future limited-income buyers at resale.

The home may only be sold to another qualified buyer. HCLT has the right of first refusal to purchase the home at resale, which it will assign to a qualified buyer to ensure the property always remains dedicated to affordable housing for families and individuals in need.



How a Homebuyer Choice Program Purchase Works

These are the step-by-step instructions for the HCP purchase process.

Step 1. Application

The homebuyer applies to participate in the Homebuyer Choice Program by filling out the online application at www.houstonclt.org/apply-now.

Filling out the application is the best way for an applicant to let HCLT know they are interested in participating in the program.

Step 2. Qualification

Working closely with HCLT staff, the homebuyer completes all pre-purchase requirements, including

- getting income-certified
- attending homebuyer education courses,
- receiving a loan pre-approval from a program-approved lender.

When all requirements are complete, the homebuyer receives an HCP Qualification Letter from HCLT staff. This letter gives the homebuyer approval to shop for a home with the help of a licensed Realtor.

Step 3. House Hunting / Selection

The homebuyer works with their Realtor and the HCLT staff to find the right home that meets the Home Selection Criteria (a copy of the criteria can be found in this packet and at www.houstonclt.org/homebuyer-choice-program). Homes that are in poor condition such as “fixer-uppers”, older or ill-maintained homes, and homes with systems in need of replacement or repair are **NOT** eligible for the Homebuyer Choice Program.

Homebuyers must review the Home Selection Criteria carefully and consult with HCLT staff before placing an offer on a property!



Step 4. Offer / Contract

When the homebuyer finds the qualifying home of their choice, the Realtor—working closely with HCLT staff—assists them with making an offer on the property. HCLT staff will help the Realtor determine which attachments to the purchase contract should be used to document HCLT’s part in the purchase. In some cases, HCLT staff must sign the purchase contract along with the buyer.

It is critical that both HCLT staff and Realtor make sure that the price of the home is right for both the buyer and the program. **A minimum 1 year home warranty of no less than \$600.00 must be included.**

- According to HCLT’s affordability limits (28% front-end, 45% back-end ratio maximums apply), the homebuyer’s anticipated mortgage loan must be affordable to them.
- The home’s contract price cannot be greater than the total amount of the homebuyer’s contribution plus the maximum financial assistance (\$150k) for which the home is eligible.

Otherwise, the homebuyer will need to provide the additional funding to cover the difference in the contract price not covered by financial assistance funds.

Step 5. Contract Review

Before the expiration of the option period, HCLT staff must review a copy of the offer contract to make sure the home purchase is eligible for assistance. During this step, speed is of the essence. Both the inspections and the buyer’s Loan Estimate must be obtained within the homebuyer’s option period to avoid loss of earnest money if the home or loan do not meet all program criteria.

Step 6. Inspection, Appraisal, Title Clearance

The inspection, appraisal and title work should be ordered within 24 to 48 hours after acceptance by the seller.

To ensure the home meets the program’s quality standards, the home must undergo a

- TREC inspection
- City-administered Housing Quality Standards (HQS)
- Environmental Review

HCLT staff will assist with ordering the City-administered inspection. HCLT staff will also attend the TREC inspection and will interpret the results of the TREC inspection based on the Minimum Property Standards contained in the Home Selection Criteria. If the home does not meet the Minimum Property Standards, HCLT staff will notify both the buyer and the realtor immediately. Either the seller must perform the required repairs prior to sale, or the homebuyer will terminate the offer contract. Under the Home Selection Criteria, HCLT reserves the right to decide which repairs are required.



Step 7. Loan Estimate

During this stage, the buyer also requests a Loan Estimate from their lender and shares a copy with HCLT staff.

Step 8. Funding Commitment

When the home passes all inspections and no additional repairs are necessary, HCLT staff will assist the buyer with requesting a Funding Commitment Letter from the City of Houston, the program funder.

Once this letter is obtained, the buyer proceeds to closing.

Step 9. Purchase / Close

At closing, the buyer receives the deed to their home and the HCLT receives a deed to the land to hold in trust. The homeowner and HCLT then immediately sign the HCLT Ground Lease, in which the homeowner agrees to observe the home's affordable resale price while HCLT agrees to give the homeowner exclusive access to the land on which their home sits.



Eligible Homebuyers

HCLT serves households earning **80% or less of the Area Median Income (AMI)** for the Houston MSA. Depending on household debt levels and estimated housing costs, the program can serve households earning as low as 50% of AMI.

Who can participate in the program?

Homebuyers must also meet the following program eligibility requirements with guidance from HCLT staff:

Requirement	Description
Limited Debt	HCLT looks for homebuyers who will maintain a front-end ratio between 28% and 33%, and a back-end ratio of 45% or less (with limited exceptions) in their home purchase financing. DTIs are based on gross household income as calculated by HCLT staff using HUD guidelines and the homebuyer’s estimated housing costs, which includes monthly Ground Lease fees.
Status	Applicant and any Co-Applicant must be over 18 years of age
Homebuyer Education	Applicant and any Co-Applicant must complete two education requirements prior to receiving a Qualification Letter for the program: <ul style="list-style-type: none"> ● attend an 8-hour, HUD-certified homebuyer education course. ● attend one of our HCLT Orientation classes. The Orientation class is offered regularly by HCLT staff.
Mortgage Readiness	Applicant and any Co-Applicant must qualify for an approved mortgage from one of our approved lenders. Approved lenders are listed on our website at www.houstonclt.org . Note that HCLT staff has final discretion in determining a homebuyer’s mortgage readiness and uses “underwriting” standards that are typically more stringent than many lenders.
Savings	The Applicant’s household must be able to put down at least \$350 of personal funds at closing and must maintain at least \$1,000 of liquid personal funds in reserve until after closing.
Existing Homeownership	The Houston Community Land Trust does not require applicants to be first-time homebuyers. However, applicants must be able to demonstrate that no person in the household owns another residence at the time of purchase of a home through the program.
Documentation	The Applicant and any Co-Applicant must be willing and able to submit all required documentation to verify their eligibility.



Home Selection Criteria

The homebuyer is empowered under this program to purchase a home of their choice, in the neighborhood of their choice, as long as the Home Selection Criteria are met.

What kind of home can the buyer choose?

Both the homebuyer and the homebuyer's realtor must ensure that the chosen home and the offer contract meet the following criteria. If the selected property fails to comply with the program requirements, it could cost the homebuyer their earnest money.

Eligible Property Types

- a. Eligible properties must be single-family homes (including townhomes). Homes constructed on or next to a property line must be separated from the adjoining building by a wall extending the full height of the building from the foundation to the ridge of the roof, and the land must be a single, marketable lot that is not shared with other units.
- b. Cooperative units, condominiums and manufactured homes are **not** currently eligible.

Location

The home must be located within the incorporated areas of the City of Houston and must pay property taxes to the City of Houston and Harris County.

Flood Hazards

- a. The home must not be situated in a floodway or 100-year floodplain.
- b. The home must not be situated in a 500-year floodplain unless it fully complies with current flood ordinances, and the homebuyer agrees to purchase flood insurance on the home. Refer to FEMA's [Flood Insurance Rate Maps](#) (FIRM) for flood hazard information by property address. The Harris County Flood Control District's [Flood Education Mapping Tool](#) is a useful reference for floodplain information. FEMA flood hazard designations take priority if they differ from Harris County designations.

Minimum Property Standards

- a. Homes must be in good condition at the time of purchase. "Fixer-uppers," old or ill-maintained homes, and homes with systems in need of replacement or repair will not be approved for financial assistance. See the list on the following page of Minimum Property Standards that homes must meet in order to receive financial assistance under the program.
- b. The home must have all systems in good condition with no anticipated need for substantial repair, replacement or rehabilitation during the first five years of ownership based on a thorough inspection. The home may not have any structural deficiencies or defective conditions that affect its livability, soundness or structural integrity.
- c. The home must be insurable with a regular homeowner's policy.



Inspection Requirements

- a. The home must undergo an independent inspection performed by an inspector selected by the homebuyer. The inspector must be licensed by TREC or otherwise permitted by law to make inspections in the State of Texas. The inspection report must identify any defective conditions and provide an estimated cost to cure them, if curable.
 - A member of the Houston Community Land Trust staff may attend the home inspection.
 - The Houston Community Land Trust staff will interpret the results of the inspection and will identify items that need to be repaired prior to purchase to meet these Home Selection Criteria.
 - Properties that are deemed “AS-IS” may not work with our program unless they are in good condition.
- b. The home must also pass a Housing Quality Standards (HQS) inspection and Environmental Review administered by the City of Houston Housing and Community Development Department. The home must meet the City of Houston’s Housing Quality Standards, which deal with the health and safety of the property.



Minimum Property Standards

The following is a non-exclusive list of standards that affect the safety, security, or soundness of the home and therefore would disqualify a property from receiving assistance unless met prior to closing.

No Defective Conditions

- The home may not have any structural deficiencies or defective conditions that affect its livability, soundness, or structural integrity.
- “Defective conditions” refer to defective construction, evidence of continuing settlement, excessive dampness, leakage, decay, termites, environmental hazards or other conditions affecting the health and safety of occupants, collateral security or structural soundness of the dwelling.

Utilities/Mechanical Components

- Mechanical systems (plumbing, heating, cooling, electrical) must be fully functioning, safe to operate, protected from destructive elements, and have adequate capacity.
- Mechanical systems must be expected to maintain their utility, durability and economy for at least five years from the date of the home purchase.
- All habitable rooms in the home must have adequate heating and central air conditioning.

Roof

- The roofing must keep moisture out.
- The roofing must be expected to last for at least five years from the date of the home purchase.
- If the inspection reveals the need for roof repairs, and the roof already has three or more layers of roofing, Houston CLT requires removal of the old roof and a new roof to be installed at the seller’s expense prior to closing.

Appliances

All appliances such as refrigerators, ranges/ovens, dishwashers, disposals, microwaves and washers/dryers that are conveyed with the home must be operational.

Water Heater

The water heater must meet local building codes and must convey with the property. It must be expected to last for at least five years from the date of the home purchase.

Hazards and Nuisances

No hazards and nuisances may be present in, on or around the property, including:

- Heavy traffic on adjacent roadways or railways that may affect the marketability of the home because of excess noise, air quality, and safety issues.
- Excess noise and hazards from low flying aircraft due to proximity to an airport.



- Dangerous proximity to something that could explode, such as a high-pressure gas or petroleum line or storage tank, both above and below ground.
- Properties located underneath, in dangerous proximity to, or within an easement for high-voltage power lines (overhead transmission lines and local distribution lines) or towers.
- Excessive smoke, chemical fumes, noxious odors, stagnant ponds or marshes, poor surface drainage or excessive dampness threatening the health and safety of occupants of the home or the marketability of the property.
- Readily observable evidence of contaminated soil, including proximity to dumps, landfills, industrial sites or other sites that could contain hazardous wastes.
- Oil and gas wells on the property.

Structural Soundness

Any defective structural conditions and any other conditions that could lead to future structural damage must be remedied before the property can be purchased. These include:

- Standing water against the foundation, decay or excessive dampness, or evidence of improper drainage.
- Hazardous materials on the property or within the home.
- Faulty or defective mechanical systems (electrical, plumbing, heating/cooling).
- Evidence of possible structural failure (e.g., continuing settlement or bulging foundation wall, unsupported floor joists, buckling or sagging floors, cracked masonry walls or foundation, large holes in the exterior).
- Deficient crawl space, including lack of access, pooling/moisture, or insufficient ground clearance.
- Termite damage or evidence of possible pest infestation.
- Leaking or worn-out roof.
- If the property has a swimming pool, unstable sides, structural issues or other defects that would render the pool unusable.
- Any other condition that in the professional judgment of the inspector constitutes a defective condition affecting the structural soundness of the home.

Asbestos

No area of the home may contain asbestos that appears to be damaged or deteriorating.



Cosmetic (Non-Defective) Conditions

Repairs due to normal wear and tear on a house are expected. These conditions do not affect the safety, security, or soundness of the home. Therefore, they would not disqualify a property from receiving assistance.

Examples

The following are examples of repairs:

- Missing handrails on stairways of three steps or less that do not pose a threat to safety.
- Defective paint surfaces in homes constructed after 1978.
- Minor plumbing leaks (such as dripping faucets) that do not cause damage.
- Defective interior paint surfaces in houses constructed after 1978.



The Homebuyer's Contribution

While avoiding taking on an excessively high or unaffordable mortgage, the homebuyer must bring a minimum "contribution" to their purchase.

How much are homebuyers permitted or required to contribute?

The "Homebuyer's Contribution" means the total amount of mortgage financing plus cash down payment that a homebuyer brings toward the purchase of a home under the program.

Disqualified Sources

The following types and sources of funds do not count toward the Homebuyer's Contribution:

- A. closing costs paid by the homebuyer,
- B. the City of Houston financial assistance grant and
- C. any third-party grants or forgivable down payment assistance loans the homebuyer may bring to the table.¹

Base Price

The Homebuyer's Contribution will count as the home's "Base Price" for purposes of calculating the future resale value under the homebuyer's Ground Lease.

Minimum Contribution

The 2021 Minimum Homebuyer's Contribution amount is \$70,000. The minimum may be updated periodically. The current minimum can be found on HCLT's website, www.houstonclt.org/homebuyer-choice-program.

Cash Contribution

The homebuyer is required to contribute at least \$350 in cash toward their home purchase. (See the Homebuyer Eligibility Requirements above for more information.)

Borrowing Limitations

Under the program, homebuyers are required to work with an approved lender, which are listed on HCLT's website. A homebuyer is limited in how much (or how little) they may borrow to purchase a home. With the help of HCLT staff, the homebuyer must make sure that their financing will result in an estimated monthly housing payment, including CLT lease fees, that:

- gives the buyer an estimated housing (front-end) ratio between 28% and 33% of gross household income,
- and
- gives the buyer an estimated total debt (back-end) ratio at or below 45% of gross household income when added to the buyer's total monthly debt (back-end ratio), with limited exceptions.

¹ Down payment assistance from the City of Houston's Homebuyer Assistance Program cannot be layered with this program.



HCLT will calculate these estimated ratios for the applicant based off its own income and debt calculations, not the lender's.



Offer Instructions

What must be included in the purchase offer contract?

Option Period The homebuyer must write in an option period of at least **10 days**. The homebuyer is responsible for paying any associated option fee to the property seller.

Title Company The offer contract must specify that one of our partnering title companies will be used for escrow and title services. Partnering title companies are listed below. Non-approved title companies are unlikely to be able to issue title insurance policies for community land trust properties within a reasonable time frame (if at all), which can delay closing.

Partnering Title Companies:

Commonwealth Title of Houston (attn: Dallas Russell Sr., 550 Westcott Street #260, Houston, Texas 77007) (dallas@cthouston.com) 713-426-4949

Valero Title, Inc. (attn: Cynthia Razo, 1233 W. Loop S. #1260, Houston, TX 77027) (crazo@valerotitle.com) 713-552-1370

(Please confirm addresses are current when preparing the contract.)

Homebuyer's Minimum Contribution The offer contract must show that the Homebuyer Contribution (cash down and financing) will be equal to or greater than the Minimum Homebuyer's Contribution (\$70,000) and the amount will result in a housing ratio of at least 28% (HCLT provides this calculation).

Homebuyer's Maximum Contribution To ensure affordability for the homebuyer, the homebuyer's mortgage financing (as shown in the Third-Party Financing Addendum to the purchase contract) must be affordable, which is defined as within HCLT's front-end (33%) and back-end (45%) debt ratio limits.

HCP Subsidy Financing Contingency The purchase contract or Third-Party Financing Addendum may include receipt of the City of Houston financial assistance funds as a closing contingency.

Joinder or Land Transfer Agreement These documents attach to the TREC form contract and represent the homebuyer's agreement to separate ownership of the home and the land at closing. Either the Joinder or the Land Transfer Agreement must be attached to the purchase contract. HCLT staff will assist the realtor in determining which contract to use, depending on the seller's familiarity with the program and willingness to execute two separate deeds at closing.



Option A: Joinder

Depending on the seller's familiarity with the program, they may be contacted by the HCLT liaison at the offer stage with a request to execute a Joinder to the purchase contract. The Joinder, which is also executed by the homebuyer and HCLT at the offer stage, obligates the seller to convey two separate deeds for the land and improvements to HCLT and the homebuyer, respectively.

Option B: Land Transfer Agreement

If the seller is unfamiliar with the program and HCLT, the homebuyer and HCLT may choose to execute a Land Transfer Agreement, instead of using the Joinder. The Land Transfer Agreement obligates the homebuyer to convey the land beneath the home to HCLT at closing, immediately after purchasing the property from the seller. If this option is used, HCLT must provide the homebuyer and their realtor with a copy of the Land Transfer Agreement for signature within 3 business days of receipt of the signed purchase contract. The seller does not sign the Land Transfer Agreement.



Houston Community Land Trust Homebuyer Representation Policy

Last updated: December 18, 2019

To ensure that Houston Community Land Trust homebuyers are fairly and adequately represented when shopping for and purchasing a home, the Houston Community Land Trust requires homebuyers to comply with the following policies before placing an offer on a home.

Applicability

Unless otherwise indicated in writing by the Houston Community Land Trust, this policy is applicable to homebuyers who plan to purchase a home through the Houston Community Land Trust from a seller who is not the Houston Community Land Trust or a current Houston Community Land Trust homeowner.

Buyer Representation

Homebuyers must engage a licensed real estate broker or agent to represent them in the purchase transaction. A written agreement between the broker/agent and the buyer, such as the Texas Association of Realtors form Residential Buyer/Tenant Representation Agreement (TAR 1501), is recommended and may be required by certain sellers before accepting an offer on a home.

No Intermediaries

Homebuyers may not be represented by an intermediary sales agent or intermediary without appointments in a Houston Community Land Trust home purchase transaction unless the Houston Community Land Trust consents in writing prior to the homebuyer signing the representation agreement. Homebuyers may be represented by an intermediary broker only if the broker appoints separate agents to work with the buyer and the seller.

More Information

For more information on the Homebuyer Choice Program, please contact Darren Blakemore, Director of Real Estate Operations at Houston Community Land Trust at darren@houstonclt.org.