

# **CCLT Board Approved - 8-6-2025**

## **COLUMBIA COMMUNITY LAND TRUST HOME BUYER SELECTION POLICIES & PROCEDURES**

### **I. OVERVIEW**

This policy is intended to guide both general and project-specific homebuyer selection procedures administered by the Columbia Community Land Trust (CCLT). This policy shall be reviewed at least annually by the CCLT Board of Directors for effectiveness in guiding the CCLT in the pursuit of its mission.

### **II. GOALS**

The goals of the CCLT that these policies are intended to support are:

- a) To provide as wide a range of opportunities as possible for low and moderate income people to secure housing that is decent, safe and affordable;
- b) To ensure the preservation of the quality and affordability of housing for future low and moderate income residents of the community;

### **III. SELECTION CRITERIA**

#### **A. THRESHHOLD SELECTION CRITERIA**

The following criteria reflect the CCLT's goal to reasonably match household size to unit size and household income to housing costs. [Note: some funding sources which the CCLT may rely on to develop its housing opportunities establish maximum eligible incomes of between 50% to 80% of the area median. See Appendix 3 for CCLT's "Resource Allocation Policy"]

1. Citizen of USA or resident alien.
2. Residency - Applicant must intend to occupy the home as their primary residence.
3. Income Eligibility -

a) Maximum Income: To be considered for selection, a household must have an annual income which does not exceed 80 % of the median income of households of equal size residing in the statistical area (as defined by the U.S. Department of Housing and Urban Development or its successor agency) within which the housing unit is located. There are, however, three exceptions that will be considered:

- (1) Households at any income level who wish to place land which they own in the CCLT, and agree to be bound by the CCLT's resale restrictions, or;
- (2) who wish to undertake a sale-leaseback arrangement with the CCLT.

4. Creditworthiness: In all cases, a household must be able to demonstrate a sense of ownership of its financial obligations, and a history of responsible effort to meet them. The household must be pre-approved for sufficient mortgage financing through a lending institution. The applicant must have an average combined credit score within 20 points of the current Fannie Mae and Freddie Mac credit requirements. The applicant must not be currently undergoing bankruptcy proceedings.

a) Minimum Income: To be considered for CCLT's homeownership opportunities, a household's monthly income, when multiplied by the appropriate debt-to-income ratio, must be sufficient to support the housing costs for the housing opportunity in question. In general, households that require a cosigner in order to obtain a mortgage will not be considered.

(1) Affordability - (i.e. matching household income to housing cost). In general, affordable means that the monthly cost of occupying a particular housing unit does not exceed 35% of monthly household income, and monthly housing costs and total debt payments do not exceed 45% of monthly household income.

(2) Assets - To be considered for CCLT's homeownership opportunities, a review of a household's financial resources and circumstances should clearly indicate a limited ability to compete successfully in the conventional housing market. Applicants with more than \$25,000 of readily available assets available for the purchase of a home are ineligible. The applicant is also required to provide \$500 toward the purchase, from the buyer's own funds. Inspection, appraisal, counseling, and other similar costs paid by the applicant are eligible when accompanied by a copy of original paid receipts.

## **B. SECONDARY SELECTION CRITERIA**

In those instances when there are two or more households expressing interest in a particular unit and who meet the Threshold Eligibility Criteria outlined above, the CCLT will operate on a first-come first-served basis. Offers to purchase a particular unit made by eligible individuals will be reviewed by the Board of Directors in the order that the offers were received by the CCLT, or a Realtor acting as a Seller's Agent for the CCLT. Offers will be accepted in the order that they are received. If the initial offer does not proceed to purchase, those offers originally not accepted will be reviewed and accepted in order of receipt.

## **IV. APPLICATION PROCESS**

This process is not necessarily sequential in nature, however each component of the process is essential to ensure that each of the CCLT's prospective home buyers is fully informed as to the fundamental details and atypical nature of the CCLT's real estate transaction (i.e. involving a leasehold interest in the land and restrictions embedded in the ground lease agreement on the resale of the improvements located on the leased premises.)

A. OUTREACH & MARKETING. Applicant responds to project specific marketing or general community outreach by contacting any one of the following for project specific, or general (as the case may be), information.

1. Columbia Community Land Trust
2. A Realtor acting as the Seller's Agent for the CCLT

B. HUD-CERTIFIED HOUSING COUNSELING. Applicant must receive HUD-Certified Housing Counseling in accordance with HOME Regulations 92.254(a)(3) from a HUD-Certified Counseling Agency prior to purchase of a CCLT home. Applicants may complete any other Homebuyer Education class in addition to HUD-Certified Housing counseling, but not as a substitute to it. Applicant is advised to meet with local lender for a mortgage "pre-qualification" session to determine whether applicant is likely to obtain mortgage financing approval.

C. PURCHASE OFFER ACCEPTANCE / DENIAL. Following mortgage pre-approval, an applicant may submit an offer to purchase a CCLT home. Offers made by applicants meeting the Threshold Selection Criteria will be reviewed by the Board of Directors. Applicants that do not meet the criteria will be so notified in writing. Applicants that do meet the Threshold Selection Criteria but whose offers were not accepted due to the Secondary Selection Criteria will be so notified in writing.

D. SELECTION PROCESS. The selection process for each housing opportunity may vary depending on the number of eligible and qualified interested persons relative to the number of housing opportunities available at a particular time. In general, the selection process will be conducted according to the steps outlined in Section V below.

E. PURCHASE AND SALES CONTRACT / FORMAL MORTGAGE APPLICATION. The applicant and the CCLT Board President acting on behalf of the CCLT sign a purchase and sale agreement and contract addendum. Applicant applies for mortgage financing.

F. MORTGAGE APPLICATION PROCESSING AND CLOSING Applicant moves through the mortgage application and approval process. The applicant's lender will submit the application on behalf of the applicant and must provide documents necessary to complete a full review of all eligibility criteria, including but not limited to, pay stubs, bank statements, credit reports, appraisal, title commitment, loan application, loan estimate, underwriter's worksheet. See Appendix 2 for a more detailed list of required documents. Due to the atypical nature of the CCLT real estate transaction, it is generally recommended that conventional loan products be used, however, any loan product can be used as long as the interest rate on the loan is no more than three points above the prime interest rate.

G. ADVANCED ORIENTATION SESSION. CCLT Staff will review in detail the CCLT Ground Lease and other legal documents associated with a particular transaction with applicant.

H. INDEPENDENT LEGAL REVIEW. Applicant must retain, at applicant's expense, an attorney who reviews all the CCLT legal documents on behalf of applicant and who provides independent advice and counsel regarding the transaction.

## **V. SELECTION PROCESS**

### **A. WHO MAKES THE DECISION**

1. Regarding Threshold and Secondary Eligibly Criteria -

- a) CCLT Staff – CCLT staff shall make a recommendation to the Board of Directors in a form acceptable to the Board regarding whether an applicant meets the criteria.
- b) Board of Directors - The Board of Directors will elect whether or not to accept an offer to purchase based on Staff's recommendation.

## **B. HOW IS DECISION MADE**

1. Regarding Threshold and Secondary Eligibly Criteria -
  - a) Using the definitions found in Appendix 1 and considering the resource allocation policy in Appendix 3, staff will review project-specific applications to determine whether the Threshold Criteria outlined above have been met. Applicants to be selected must meet ***all*** of the Threshold Eligibility Criteria.
  - b) If there are more eligible and qualified applicants than housing opportunities available, applications will be considered based on a review of the Secondary Selection Criteria.

## APPENDIX 1 - DEFINITIONS

The Columbia Community Land Trust (CCLT) has adopted the following definitions for the purposes of assessing affordability and monitoring its ability to achieve its goals.

"Affordable" means that the monthly Occupancy Cost of a particular housing unit generally does not exceed 30% of household income. (See discussion of Housing Costs, defined below, for exceptions regarding single-family ownership housing.)

"Debt-to-Income Ratio" (DTI) means the maximum percentage of income which a particular lender will allow a household to spend on Housing Costs.

"Household" means a person, or group of persons who occupy the same housing unit as their primary residence.

"Median Income" shall be as set forth in regulations promulgated from time to time by the United States Department of Housing and Urban Development (HUD) pursuant to 42 U.S.C. Sec. 1437 *et seq.*

"Moderate Income" shall mean a household whose combined gross annual income, adjusted for Household Size (defined below), does not exceed 80% of the Median Income for the Statistical Area within which the housing is located as defined by HUD or a successor agency.

"Low Income" shall mean a household whose combined gross annual income, Adjusted for Household Size, does not exceed 50% of the Median Income for households of that size residing in the Statistical Area within which the housing is located.

"Very Low Income" shall mean a household whose combined gross annual income, Adjusted for Household Size, does not exceed 30% of the Median Income for households of that size residing in the Statistical Area within which the housing is located

"Statistical Area(s)" shall be as set forth in regulations promulgated from time to time by the United States Department of Housing and Urban Development (HUD) pursuant to 42 U.S.C. Sec. 1437 *et seq.*

"Housing Cost": shall mean:

1. When measuring the affordability to a known household of a known unit size:
  - A. for "Single-Family" Ownership: the sum of the monthly payments due on
    - the mortgage (principal & interest); plus
    - the property taxes due on the property; plus
    - the hazard insurance policy; plus
    - the Ground Lease Fee, if applicable; plus
    - the repair and maintenance serve fund fee.
2. When calculating the affordability of projected occupancy costs for a particular unit, (for example to determine or establish a purchase price or rent level), the CCLT will make the following calculations:
  - A. The controlling Debt-to-Income Ratio for households of the appropriate size will be determined (Housing Debt to Income Ratio is 35% and Total Debt to Income Ratio is 45%).

- B. Prevailing property tax assessments, insurance rates and condominium association fees (as applicable) for comparable properties will be examined and deducted from the controlling percentage of income allocable to occupancy costs in order to determine the amount of household income remaining to make a mortgage payment.
- C. Prevailing loan terms and interest rates of the State's Mortgage Revenues Bonding Authority (usually the state housing finance agency) will be used to calculate the maximum mortgage amount which could be amortized by a payment of this size.

The amount resulting from these calculations will be the maximum purchase price considered to be affordable to the desired household income level.

## **APPENDIX 2 - HOME BUYER / LEASEHOLDER APPLICATION**

See City of Columbia Homeownership Assistance Application:

<https://portal.neighborlysoftware.com/como/participant>

### **APPENDIX 3- RESOURCE ALLOCATION POLICY**

100% of the CCLT's resources will be dedicated to benefit households earning at or below 80% of the median income (adjusted for household size in Boone County – see Appendix 4) to the extent such allocation is not inconsistent with conditions or restrictions placed on the use of such financing by those providing the financing.



**APPENDIX 4 - 80% OF AREA MEDIAN INCOME BY HOUSEHOLD SIZE (U.S. Department of Housing and Urban Development, Effective April 1, 2025)**

| <b>U.S. Dept. of HUD: 2025 Income Limits: 80% AMI</b> |           |
|---|-----------|
| 1 Person  | \$59,300  |
| 2 Person  | \$67,750  |
| 3 Person  | \$76,200  |
| 4 Person  | \$84,650  |
| 5 Person  | \$91,450  |
| 6 Person  | \$98,200  |
| 7 Person  | \$105,000 |
| 8 Person  | \$111,750 |