



HOME BUYER CHOICE PROGRAM (HCP) GUIDELINES

Version 2.0

Effective Date: February 7, 2022

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Version	Date Adopted	Changes
1.0	08/19/2020	Original Version
2.0	02/07/2022	<p>-Updates made to the following sections:</p> <ul style="list-style-type: none">• Introduction, Program Administration, Roles and Responsibilities, Appeals, Eligibility Requirements, Home Purchase Requirements, Funding and Contract Terms, Underwriting Criteria <p>-Renamed Introduction and Authority section to Introduction -Renamed Program Purpose and Scope to Program Overview -Separated Program Administration and Application Process into standalone sections. -Renamed Property Purchase Requirements to Home Purchase Requirements and updated language within the section.</p>

The Housing and Community Development Department's mission is to provide and preserve sustainable housing improvement opportunities in Houston, Texas. HCDD is dedicated to improving our residents' quality of life with affordable homeownership for Houston neighborhoods and families through the Homebuyers Choice Program.

I. Introduction

The Housing and Community Development Department (HCDD) have partnered with the Houston Community Land Trust (HCLT) using Tax Increment Reinvestment Zone (TIRZ) affordable housing set-aside funds to provide qualified homebuyers the option to purchase a quality home of their choice within incorporated areas of the City of Houston at an affordable price.

The Homebuyers Choice Program (HCP) seeks to provide a wider selection of high-quality homes to low-income homebuyers at an affordable purchase price by increasing access to sustainable homeownership opportunities for families and creating a lasting generational impact by preserving long-term affordability for the benefit of local communities and low-income homebuyers through shared ownership. A qualified homebuyer who purchases a home through HCP will own the home while the HCLT owns the land beneath the home, placing it in trust, for the benefit of sustaining and preserving housing affordability for the homeowners and their heirs, future homeowners, and the community. The homebuyer will have exclusive rights to the land beneath the home for use and enjoyment through a Ground Lease¹.

II. Program Administration

HCP is designed to complement a normal private market real estate transaction, in that it will be administered with as few additional overlays as possible, while maintaining Program compliance. The City of Houston will administer its Homebuyer Choice Program (HCP) in accordance with these Homebuyer Choice Program Guidelines, Standard Operating Procedures, and other applicable regulations and guidance. The City of Houston reserves the right to assign or adjust program priorities and re-allocate program funds to better serve the local communities and their residents.

The HCP Guidelines will govern the planning and implementation of this Program. The City of Houston reserves the sole discretion of interpreting and applying these Guidelines, except for those items where prior approval by the City Council or other administering bodies is required for implementation.

HCDD will utilize administrative procedures to implement the programs and modify them to meet any changes made to such rules and regulations of the oversight entities, which may occur over time. At all times, should any conflict in these procedures exist with the applicable funding source, the requirements of the funding source shall take precedence, other than "local preferences".

III. Roles and Responsibilities

Daily administration of the Program will be under the direct supervision of the Director of HCDD, or their designee. The HCDD Director, or their designee, holds approval authority for administrative

¹ A 99-year ground lease agreement between the homebuyer and HCLT, subject to maintenance requirements and a low monthly lease fee. Note, that this agreement is subject to change at the discretion of HCLT with written approval from the Director of HCDD, or their designee.

matters related to the HCP. HCDD and the HCLT will each have a role and responsibilities in the administration of the Homebuyer Choice Program.

HCDD will:

- Perform homebuyer income certifications;
- Coordinate and oversee environmental review and home inspections;
- QA/QC HCP Master file;
- Fund the HCP subsidy at closing;
- Oversee program operations to ensure that the Department's objectives stated in this program are accomplished adequately.

HCLT will:

- Establish and maintain clear guidelines, standard operating procedures, and eligibility qualifications for the Program.
- Market the HCP to local communities;
- Provide outreach and education to potential homebuyers;
- Inform potential homebuyers of their options for purchasing through HCLT, including HCP and the City's New Home Development Program;
- Inform potential homebuyers of HCP Home Selection Criteria for homes to be considered eligible for receipt of the Homebuyer Choice Program Subsidy;
- Inform potential homebuyers of Program qualifications, the method and timing of qualifying prospective homebuyers, and home financing options available;
- Make marketing, outreach, and Program information available to potential homebuyers in multiple languages approved by HCDD;
- Receive and review homebuyer applications;
- Perform HCLT qualification procedures and provide required documentation to HCDD to perform income qualifications for Homebuyers;
- Provide education on the ground lease affordability model and coordinate access to legal advice for Homebuyers prior to signing purchase agreements and prior to closing;
- Provide conditional approval of the Homebuyer's selected home and mortgage financing prior to closing;
- Provide direct assistance and guidance to homebuyers through the Program qualification, education, orientation courses, and pre-closing processes;
- Manage a waiting list of qualified Homebuyers according to HCLT's established procedures;
- Perform post-closing stewardship services and protect permanent affordability of all Program units;
- Establish and adjust minimum homebuyer contributions annually.

IV. Homebuyer Choice Program Overview

Homebuyers who purchase a home through the HCP may be eligible to receive up to \$100,000 or \$150,000 in financial assistance towards the purchase price of a eligible home, including land and improvements, and reasonable homebuyer's closing costs. The HCP subsidy is intended to reduce the cost of the home purchase by covering the difference in the amount of the total acquisition cost of the home, including land and improvements and the homebuyer's contribution to the acquisition of the improvements. HCP will provide a subsidy necessary to bridge the gap between the amount of a mortgage on the improvements that is affordable to the homebuyer and the purchase price of the home,

including land and improvements, in addition to the homebuyer's closing costs that are not paid directly by the homebuyer.

Financial assistance will be subject to the HCLT obtaining ownership of the land at the closing of the purchase transaction. HCDD will wire financial assistance funds to the title company at closing for disbursement, which will ultimately result in the homebuyer holding title to the improvements and HCLT holding title to the land in order to preserve the property's permanent affordability under these guidelines ("HCP Guidelines"). HCLT will own and hold the land beneath the home purchased through HCP. The land will be subject to the HCP Restrictive Covenant². HCLT will place the land in trust to preserve the property's permanent affordability for current and future generations of low- to moderate income homebuyers and lease the land to the homebuyer that acquired the improvements located thereon.

HCP homebuyers will play a prominent role in safeguarding the permanent affordability of their interest in any home they acquire, not only for themselves and their heirs, but for future homeowners as well. The HCP homebuyer must agree to a limit on the price at which they can sell their interest in the home in the future and sale the home to a low-income homebuyer or HCLT to ensure that the price of their interest in the home at resale remains affordable for future low-income buyers without the need for additional subsidies. The maximum resale price of the home will increase by 1.25% of the homebuyer's initial contribution amount each year, allowing the homebuyer to build equity. Therefore, HCP homebuyers both participate and benefit from preserving affordable housing in their neighborhoods. This, in turn, allows each dollar invested by the Program to have a lasting, generational impact.

V. Program Application Process

1. To apply for the program, a potential homebuyer will submit an application online at www.houstonclt.org or by contacting HCLT at (713) 512-5575.
2. The potential homebuyer will submit the required eligibility documents, required by HCLT and outlined herein, and complete all program requirements. HCLT staff will provide direct assistance to the homebuyer and submit required documentation for HCLT and HCDD review of household size and income. HCLT staff will collect homebuyer income documents and submit the documentation to the designated HCDD staff for City certification.
3. In accordance with program requirements established by HCLT, once the homebuyer is approved, HCLT will send a pre-qualification letter confirming that the homebuyer is qualified to shop for a home of their choice. The letter will indicate HCP subsidy funds may be applied toward the home purchase, and that funding is subject to program requirements, final purchase approval, and the execution of an agreement with HCLT that the land beneath the home will be conveyed to HCLT at closing or executed as a joinder to the purchase contract naming HCLT as the buyer of the land.
4. Once the homebuyer selects a home of their choice and submits an offer, HCLT will review the property for compliance with the Program home selection criteria, environmental and inspection requirements.

5. All units receiving assistance will require an Inspection. Prior to closing, a qualified City inspector or agent working on behalf of the City will inspect the property to determine that the property meets the applicable federal, state and or local minimum property standards.
6. HCLT will provide to HCDD copies of the:
 - a. Fully executed contract
 - b. Qualification letter
 - c. Evidence of the homebuyer's third-party financing amount (including loan pre-approval letter and loan estimate)
 - d. TREC inspection report – inspection must be conducted after all construction work has been completed.
7. Following a satisfactory review, HCDD will issue a commitment letter to HCLT and/or the homebuyer specifying an estimated HCP subsidy amount based on the loan estimate and contract price, which shall not exceed the HCP subsidy limits specified herein.
8. Prior to closing, when the homebuyer receives the Closing Disclosure stating the final amount of mortgage financing, down payment, and closing costs associated with the transaction; the homebuyer or HCLT will send the closing disclosure to HCDD to enable HCDD to determine the final HCP subsidy amount.
9. The closing date is coordinated with all stakeholders, including HCLT and HCDD, to ensure the HCP funds are wired on the day of closing.

VI. Home Purchase Requirements

The homebuyer once qualified under the Eligibility Requirements Section, shops for a home within the City of Houston jurisdiction with the assistance of an independent licensed Real Estate Agent. The home must meet certain location, quality, type and price requirements as established by HCLT to qualify for Program assistance. The criteria will be made available publicly by HCLT on their website³.

The basic outline of the proposed home selection criteria is listed below:

- A. Eligible Home Types:** Eligible properties must be a Single-Family Home as defined above.
- B. Location:** The property must be located within the City of Houston and have the City of Houston listed as a taxing jurisdiction with the respective County Appraisal District.
- C. Environmental Compliance:** An Environmental Review must be performed on the property prior to commitment of funds to include the following:
 - a. The home must not be located in a floodway or 100-year floodplain, identified by FEMA.
 - b. The home must not be located in a 500-year floodplain unless it fully complies with [current flood ordinances](#) and the homebuyer agrees to purchase flood insurance on the home.
 - c. Homes must be free and clear of asbestos and lead-based paint. Homes constructed prior to 1978 may be subject to additional lead-based paint inspection, as indicated in in section (D) of Minimum Property Standards.

³ www.houstonclt.org

D. Minimum Property Standards:

- a. The home must be considered decent, safe, and sanitary in accordance with HUD Housing Quality Standards, defined above.
- b. The home must meet HUD Housing Quality Standards, as applied by City inspection.
 - i. A maximum of three (3) property inspections will be conducted. If a home does not if the home pass the first inspection, HCDD will allow two (2) additional inspections to verify compliance. The Homebuyer(s) must select a new property or re-apply once the required modifications have been made.
- c. The home must be free from defects posing a danger to the health or safety of the occupants before transfer of ownership.

E. Maximum Contract Price: The home’s contract price should not exceed the maximum contract price of \$305,000 to ensure the homes brought into HCLT’s portfolio are affordable in the future.

F. Lead-Based Paint: All pre-1978 built properties acquired through HCP must meet all applicable federal standards for lead-based paint as outlined in the HCDD New Construction Standards.

VII. Eligibility Requirements

A homebuyer enters the program via the existing HCLT intake process as outlined in HCLT’s Homebuyer Choice Program Qualification and Home Purchase Procedures (the “HCLT Program Procedures”).

A. Pre-Offer Requirements: The homebuyer completes all pre-offer requirements to qualify for the Program, with direct guidance and assistance from HCLT staff. These qualifications are set out in HCLT’s existing mortgage and eligibility policies (provided by HCLT)

B. Annual Household Income:

- a. Homebuyer applicant must be certified at or below 80% AMFI. HCDD staff and HCLT staff both review and independently certify Annual Household Income.
- b. Annual Household Income eligibility will be calculated in accordance with 24 CFR Part 5, Section 8.

C. Limited Debt Requirement: Homebuyer applicant and co-applicant must have limited debt (33% Front-End Debt Ratio and 45% Back-End Debt Ratio, subject to limited exceptions as defined in HCLT’s Mortgage Financing Policy, and as determined by HCLT in accordance with the HCLT Program Procedures).

D. Buyer Down Payment and Savings Requirement:

- a. Homebuyer must contribute at a minimum \$350 towards the purchase of the home.
- b. Maintain at least \$1,000 in savings at closing.

E. Housing Counseling Requirements:

- a. Homebuyer applicant and co-applicant (if applicable) must obtain an 8-hour HUD-certified Homebuyer Education course completion certificate.⁴
 - i. Certifications are only valid one year after the date the class was completed.
- b. Homebuyer applicant and co-applicant must attend a HCLT Orientation course, taught by HCLT staff.
- c. Homebuyer must attend a consultation with an independent attorney to review the Ground Lease prior to closing. HCLT will provide referral information for free legal services to homebuyers.

F. Homebuyer Eligibility Requirements

- a. Liquid assets for the household cannot exceed \$30,000. Except in the following circumstances all instances will require for the applicant(s) to provide supporting documentation:
 - i. Funds received due to an insurance claim (i.e., health and accident insurance, worker's compensation, settlement for personal or property losses, etc.)
 - ii. Funds received due to an inheritance
 - iii. Amounts of scholarships included awards under federal work-study programs
- b. Applicants are allowed the option to transfer liquid assets to an account that is not considered a liquid asset if they choose not to place funds towards the purchase of a home.
 - i. Applicant(s) will have 45 days to move funds into a retirement account (i.e., 401K, IRA, 5-year certificate, etc.)
 - ii. Transferring funds to another checking or savings account is not allowed
- c. Homebuyer applicant and co-applicant must provide supporting documentation of legal guardianship for all minor household members at or under the age of 17.
- d. Homebuyer applicant and co-applicant cannot be registered sex offenders
 - i. This requirement is still applicable when a spouse is listed in the household composition and not as a co-applicant.
- e. Homebuyer applicant and co-applicant must be current on child support payments or on an approved payment plan.
 - i. This requirement is still applicable when a spouse is listed in the household composition and not as a co-applicant.
- f. Eligibility requirements are valid for 90 days from the date the applicant is determined Income eligible (HCP Qualification letter). If contracts are not signed within 90 days of that date HCDD will need to perform a re-view on the file.
 - i. One-time extension can be granted on a case-by-case basis. Requests for an extension must be made in writing

G. Pre-Approval Requirement:

- a. Homebuyer applicant must obtain a loan pre-approval letter from an HCLT-approved lender.
- b. A preliminary HCP Subsidy amount will be determined by HCDD staff and will be finalized before purchase of the home.

H. Real Estate Agent Representation: The applicant must be represented by a licensed Real Estate Agent in the home purchase transaction in accordance with HCLT's Buyer Representation Policy.

⁴ HUD maintains a database of approved Housing Counseling Agencies online at www.HUD.gov. "Cost may be associated at the Homebuyer expense. A valid (not expired) certification is required."

- I. **HCLT Ground Lease:** At closing, HCLT must take title to the land beneath the home and the Homebuyer must sign the HCLT Ground Lease, agreeing to the Ground Lease’s permanent affordability and use restrictions on the home, including the resale price formula and primary residence requirements.

VIII. Funding Requirements and Contract Terms

- A. **Eligible Uses of HCP Funds:** Program Funds, from the TIRZ (Tax Increment Reinvestment Zone) affordable housing set aside, funding will be made available to the HCP to assist income eligible homebuyers to acquire the improvements of either an existing or a newly constructed home and to assist HCLT to acquire title to the land beneath the home. The HCP subsidy may be used to pay the minimal amount required for (1) down payment (2) reasonable buyer’s closing costs⁵ (including the HCLT sales fee of \$3,500 for HCLT’s program administration) and (3) reduce the principal amount of the mortgage.
- B. **Ineligible Uses of HCP Funds:** HCP assistance may not be used to (1) pay any portion of a Real Estate Brokerage Service’s or real estate agent’s fee; (2) pay delinquent taxes; or (3) pay fees, charges, or closing costs on properties which are attributed to the seller by contract or under the closing statement.
- C. **Principle Resident Requirement:** The homebuyer will be subject to the use contained in the HCLT Ground Lease, including, but not limited to, the following requirements:
 - a. The property must be occupied as the Principal Residence of the Homebuyer, his or her spouse or his or her children throughout the entire term of homeownership. The Principal Residence requirement is met if the homebuyer occupies the home for at least nine (9) months of each year.
- D. **Permanent Affordability:** The homebuyer will be subject to resale restrictions contained in the HCLT Ground Lease, including, but not limited to, the following requirements:
 - a. If the homebuyer desires to sell the home, they must comply with all provisions of the Ground Lease including:
 - i. Sell the home to HCLT or another low-income homebuyer as determined by HCLT; and
 - ii. Sell the home for no more than the Purchase Option Price⁶ as defined in the Ground Lease.
 - b. These requirements are intended to preserve the affordability of the home for low-income households and expand access to homeownership opportunities for such households in the future.

⁵ HCDD underwriting staff maintain discretion in determining whether involved closing costs are reasonable in the context of market rates for respective services.

⁶ The Purchase Option Price is defined in the Ground Lease as “the lesser of (a) the Appraised Leasehold Value of Home at Resale or (b) the Formula Price...” The Formula Price equals the Homebuyer’s Base Price (set by HCLT based on the Homebuyer’s Contribution amount, and as set forth in the Ground Lease) plus 1.25% simple interest accrued annually.

IX. Underwriting Criteria

Homebuyer must be able to obtain a 30-year fixed-rate mortgage for all or part of the homebuyer contribution amount. The program does not accept adjustable-rate mortgages (ARM) or seller-financed mortgages.

A. Debt to Income Ratio: Homebuyer applicant and co-applicant must have limited debt (33% Front-End Debt Ratio and 45% Back-End Debt Ratio, subject to limited exceptions as defined in HCLT's Mortgage Financing Policy, and as determined by HCLT under the HCLT Program Procedures). HCLT will perform underwriting of the Homebuyer's mortgage and debt for compliance with the Program requirements.

B. Maximum Homebuyer Choice Program Subsidy Limits:

HCP will operate under a two-tiered subsidy structure:

- a. Tier I subsidy: Households purchasing a home zoned to at least one A- or B-rated school⁷ within the City of Houston are eligible to receive "Tier I" Homebuyer Choice Program Subsidy Funds of up to \$150,000 toward the purchase of an eligible property.⁸
- b. Tier II subsidy: Households purchasing in other areas of the City of Houston are eligible to receive Tier II Homebuyer Choice Program Subsidy Funds of up to \$100,000 toward the purchase of an eligible property.
- c. If the price of the home is less than the maximum HCP subsidy limits plus the minimum homebuyer contribution, then the City will reduce the amount of the HCP subsidy to equal just the difference between the minimum homebuyer contribution and the contract price of the home that has been selected, plus the Homebuyer's closing costs that are not to be paid directly by the homebuyer. Funding available to the homeowner from other sources will not reduce the City's subsidy further.

C. Minimum Homebuyer Financing/Loan:

The homebuyer must meet the minimum loan or financing requirement of \$70,000 to receive the HCP subsidy. Homebuyer contributions will reflect the homebuyer's family AMI, and minimum homebuyer contribution amounts will be based on HCLT's Affordable Pricing Policy which is intended to support its mission of providing affordable housing and will be published annually by HCLT on www.houstonclt.org.

The homebuyer may contribute more than the minimum homebuyer contribution amount in order to increase their buying power using the HCP subsidy; however, the Homebuyer will not be permitted to obtain financing with repayment terms exceeding the front-end debt ratio or back-end debt ratio limits described herein and the price of the home, including land and improvements, may not exceed the maximum contract price.

D. Maximum Contract Price: The contract price of the home may not exceed \$305,000.

⁷ TEA school report cards website: <https://tea.texas.gov/texas-schools/accountability/academic-accountability/performance-reporting/school-report-cards>

⁸ The current year's map showing the A- and B-rated schools recognized by the Program can be found at <https://mycity.maps.arcgis.com/apps/webappviewer/index.html?id=558f04db61084183b3423632dc9efc56>

E. First Mortgage Terms:

To ensure that homebuyers receiving HCP assistance are not subject to predatory or Unfair Lending Practices, the HCP Procedures Manual contains a written policy, reviewed and updated as needed, which describes the eligible types of first mortgage financing that can be combined with HCP Subsidy assistance. At a minimum, this shall include maximum allowable interest rate, loan-to-value ratio, and types of allowable mortgages. The homebuyer must be able to obtain a fixed-rate mortgage (the HCP will not accept adjustable rate or seller-financed mortgages).

F. Maximum Closing Costs: To ensure that participants in HCP are not victims of predatory lending, HCDD underwriting staff maintain discretion is determining whether involved closing costs are reasonable in the context of market rates for respective services.

G. Property Insurance: Homebuyers must maintain property insurance, and, if applicable, flood insurance in accordance with applicable local, state and federal laws and regulations, and as may be required in these Guidelines or any related document.

X. Conflicts of Interest

Shall mean a situation, whether real or apparent, that undermines the impartiality and/or integrity of (i) any person who is an employee, agent, consultant, officer, elected official or appointed official of the City or (ii) any individual or organization receiving or administering city funds on behalf of the City who (a) exercises or has exercised any function or responsibility with respect to activities provided by the HCP, (b) is in a position to participate in the decision-making process, or (c) gains inside information with regard to such activities. Such person or organization is therefore prohibited from obtaining a financial interest or benefit or having an interest in any contract, subcontract, or agreement with respect thereto or the proceeds thereunder, either for themselves or those with whom they have family⁹ or business ties during their tenure or for one year thereafter. Additionally, City employees will be subject to comply with the City of Houston's Administrative Policy 2-22, Conflict of Interest.

XI. Complaints and Appeals

Complaints

The City of Houston Housing and Community Development Department (HCDD) welcomes feedback and complaints from any member of the public. Complaints are accepted in writing or over the telephone. Complaints will be responded to in writing within fifteen (15) business days, as practicable.

Mailing Address

Housing and Community Development
Department
2100 Travis St., 9th Floor
Houston, TX 77002
Attn: Planning & Grants Management

Email Address

HCDDComplaintsAppeal@houstontx.gov

Telephone

(832) 394-6200

HCDD Business Hours

⁹ Per HCDD Policy #01-040: Non-Procurement Conflicts of Interest, family members covered under this restriction include (whether by blood, marriage, or adoption) the spouse, parent (including a stepparent), child (including a stepchild), sibling (including a stepsibling), grandparent, grandchild, and in-laws of a covered person.

Monday through Friday

8:00 AM to 5:00 PM

Appeals

All program participants have the right to appeal a determination made by the Housing and Community Development Department (HCDD) regarding their file within thirty (30) days of the notice of determination.

To be considered complete, an appeal must include:

- Project address
- Project number (if applicable)
- Date of appeal
- Nature of appeal

Appeals must be made in writing via letter, email, or an online Appeal Request Form. The Appeal Form is available on the HCDD website¹⁰ and at our office during normal business hours. HCDD will respond in writing to the appellant of the Program Area's decision of the appeal and provide the basis thereof within thirty (30) days, as practicable.

The appellant is entitled to two levels of appeals. Should the initial appeal process with the Program Area not achieve a resolution amenable to the appellant, the appellant has the right to escalate the appeal, in writing, to the Appeals Review Committee (ARC). The appellant may only escalate the appeal after the completion of the first level appeal process.

For second level appeals, the ARC will process the escalated appeal within thirty (30) days, as practicable. The ARC will transmit their decision to the appellant in writing. HCDD will designate the appeal decision made by the Appeals Review Committee as the final decision and consider the matter closed.

Contact Information

Mailing Address

Housing and Community Development
Department
2100 Travis St., 9th Floor
Houston, TX 77002
Attn: Planning & Grants Management

Email Address

HCDDComplaintsAppeal@houstontx.gov

HCDD Business Hours

Monday through Friday
8:00 AM to 5:00 PM

Fair Housing Act

The Fair Housing Act prohibits the discrimination in all housing transactions based on race, color, national origin, sex, religion, handicap, or familial status (having children under the age of 18). Homebuyers that feel they have been discriminated against can contact:

U.S. Department of Housing & Urban Development – Fair Housing & Equal Opportunity

Discrimination inquiries and/or complaints

800-669-9777 (Voice)

1-800-927-9275 (TTY)

HUD Local 713-718-3199 (Ask for a FHEO)

www.hud.gov/offices/fheo

¹⁰ <https://houstontx.gov/housing/forms/online/appeals-request-form.html>

XII. Definitions

Annual Household Income: the anticipated gross income from all sources for all adult family members during the coming 12-month period calculated in accordance with 24 CFR Part 5, Section 8 definition of annual (gross) income.

Area Median Family Income (AMFI): also known as **Area Median Income (AMI)**; Area Median Family Income, as determined and published annually¹¹ by the United States Department of Housing and Urban Development for the City of Houston, The Woodlands, and Sugar Land Metropolitan Statistical Area, serves as the measure by which potential applicants to this program are deemed income eligible. Note that income eligibility does not guarantee program eligibility.

Back-End Debt Ratio: the ratio of the homebuyer's anticipated monthly housing payments on a HCLT home (as defined below under "Front-End Debt Ratio") plus the current actual monthly debt obligations of the primary homebuyer and any legal spouse of homebuyer (even if not employed), to the homebuyer household's gross monthly income (the Annual Household Income divided by twelve). The current total monthly debt obligations will be based on current, complete credit reports for the primary homebuyer and any legal spouse plus any additional debt disclosed by the primary homebuyer and/or legal spouse.

Borrower(s): the person(s) that (i) has applied, met specific requirements, and received a home purchase loan from a lender; (ii) is legally responsible for repayment of the loan; and (iii) is subject to any penalties for not repaying the loan based on the terms as described in the loan agreement, promissory note and/or deed of trust.

City: the municipality of the City of Houston, Texas.

Closing Costs: the expenses, over and above the price of the property, that buyers and sellers normally incur to complete a real estate transaction. These typically include, but are not limited to, fees charged by third parties involved in a real estate transaction.

Commitment Letter: describes the setting aside or earmarking of funds that may be used in the future for the purchase of a specific dwelling unit. It is a not legally binding and may stipulate that the funds are only set aside for a specific time period.

Conflict of Interest: a situation, whether real or apparent, that undermines the impartiality and/or integrity of (i) any person who is an employee, agent, consultant, officer, elected official or appointed official of the City or (ii) any individual or organization receiving or administering TIRZ funds on behalf of the City who (a) exercises or has exercised any function or responsibility with respect to activities provided by the HCP, (b) is in a position to participate in the decision-making process, or (c) gains inside information with regard to such activities.

Director: the Director of the City of Houston Housing and Community Development Department, as appointed by the Mayor of Houston.

¹¹ [HUD Income Limits for 2020](#)

Down Payment: A percentage amount of the sales purchase price required by a financial institution to be paid by the homebuyer at closing to fund a home purchase.

Environmental Review: the compliance review conducted by internal HCDD staff to determine a home's eligibility in the HCP pursuant to [24 CFR 58.6](#). This process ensures that the condition of the property complies with the National Environmental Policy Act (NEPA) and other applicable state and federal laws.

First Lien Holder: The institution that holds the original mortgage on a specified property. The First Lien Holder is required to be paid before any other lien holders.

Front-End Debt Ratio: means the ratio of the homebuyer's anticipated monthly housing payments on a HCP home (including principal, interest, taxes, insurance, HCLT lease fees and any homeowners' associations fees) to the homebuyer household's gross monthly income (the Annual Household Income divided by twelve). The anticipated monthly housing payments will be determined by HCLT staff based on the following factors:

- The anticipated mortgage principal amount and the amount of any other financed acquisition costs;
- Current market interest rates plus 1.5%, or the actual interest rate on the applicant's purchase loan if available;
- A fair market estimate of anticipated insurance costs based on similar homes previously sold in the area or, if unavailable, an average insurance cost estimate for the area;
- Harris County Appraisal District's property tax appraisal methodology for HCLT homes and land and the then-current property tax rate, without exemptions;
- Down Payment assistance to be received by the homebuyer;
- HCLT ground lease fees (including the Lease Fee, Maintenance and Reserve Fund Fee and land tax fund fee); and
- Any other known or anticipated costs associated with the home, such as (but not limited to) HOA fees.

Foreclosure: the process by which the holder of a mortgage executes its lien on the mortgaged property of a homebuyer who has not made payments on time as stipulated in the mortgage contract in accordance with state and local law.

Ground Lease Agreement: A 99-year ground lease agreement between the homebuyer and HCLT in substantially the form attached hereto as **Appendix A**. Note, that the form of this agreement is subject to change at the discretion of HCLT with written approval from the Director of HCDD, or their designee.

Homebuyer: a person(s) over 18 years of age who meet(s) all Program requirements to purchase a home under the HCP and who has completed an application through HCLT to receive assistance for a home purchase under the HCP.

Homebuyer Choice Program Restrictive Covenants: restrictions on the land beneath each home purchased through the HCP and conveyed to HCLT, having terms intended to preserve the affordability of such home for at least 99 years.

Homebuyer Choice Program Subsidy: the total amount of direct grant assistance provided by HCDD from Program Funds to assist HCLT and the Homebuyer with the purchase of eligible property under the HCP, with the purpose of creating housing affordability to the Homebuyer as well as subsequent

owners. The amount of the HCP subsidy is intended to bridge the gap between (i) the amount of a mortgage on the improvements that is affordable to the Homebuyer and (ii) the contract price of the home, including land and improvements, plus the Homebuyer's closing costs that are not to be paid directly by the Homebuyer. The grant assistance will be wired from HCDD to the title company at the closing of the eligible property purchase for disbursement in accordance with the Commitment Letter, HCDD's closing instructions, and these Guidelines.

Homebuyer Contribution: the total amount of third-party financing (including the amount of a mortgage on the improvements that is affordable to the Homebuyer), and/or cash contributions that a Homebuyer makes toward the purchase of an eligible property under the HCP.

Homebuyer Education Class: a HUD-certified¹² eight-hour homebuyer education course, which the Homebuyer(s) must complete as a prerequisite to participation in the HCP.

Housing and Community Development Department (HCDD): the City of Houston Department that administers federal, state, and local funding for affordable housing and economic development projects, in addition to other responsibilities assigned under the City of Houston Charter and Code of Ordinances.

Housing Quality Standards Inspection (HQS): establishes the minimum quality criteria¹³ necessary for the health and safety of program participants. All housing units must meet these housing quality standards in order to participate in the HCP.

Housing and Urban Development (HUD): The Federal Department that manages and establishes regulations and rules for federally funded programs and sets the AMFI annually. Though this program is not funded with federal funds, certain aspects of HUD requirements are included as part of this program, including, but not limited to, Housing Quality Standards, environmental compliance, approved homebuyer counseling courses, etc.

Houston Community Land Trust (HCLT): An existing community-based organization, organized as a Texas nonprofit corporation under Texas Business Organizations Code [§22.001\(5\)](#), tasked with holding land "in trust" to preserve affordability for the long-term benefit of families and neighborhoods in the City.

Liquid Assets: refers to assets that can be readily converted to cash, i.e., cash on hand, stocks bonds, etc.

Low- Income: a household income equal to or less than 80% of the Area Median Family Income (AMFI) established by HUD by Metropolitan Statistical Areas.

Loan Pre-Approval: a written determination by an HCLT- qualified mortgage institution that an HCP Homebuyer (Borrower) is pre-approved to secure a home loan from that institution, in a stated maximum amount, subject to the value of the property that will secure the loan and the satisfaction of customary closing requirements.

Principal Residence: the primary home that the Homebuyer or their spouse or children inhabit(s) for a length of nine (9) months out of each calendar year in accordance with the requirements of the Ground Lease.

¹² HUD maintains a database of approved Housing Counseling Agencies online at www.HUD.gov.

¹³ The criteria is defined in full under [24 CFR 982.401](#).

Program Funds: refers to the financial means appropriated or allocation to fund the Homebuyer Choice Program (HCP)

Qualification Letter: a letter signed by HCLT staff, confirming that the homebuyer is qualified to shop for a home of their choice and that HCP Subsidy Funds may be applied toward the home purchase, subject to all program requirements and final purchase approval and subject to the requirement that they execute an agreement with HCLT providing that the land beneath the home will be conveyed to HCLT at closing or execute a joinder to the purchase contract naming HCLT as the buyer of the land.

Real Estate Brokerage Service: a state licensed, third-party brokerage service that will market, list, and sell properties to eligible Homebuyers.

Real Estate Agent: person(s) licensed under a Real Estate Brokerage Service who represent buyers and sellers in real estate transactions. This term is inclusive of licensed real estate brokers when used in this document.

Single Family Home: a single family detached dwelling unit or townhome, but excluding cooperative units, condominiums, manufactured housing, or mobile homes and independent residential structure that sits on its own land.

TIRZ (Tax Increment Reinvestment Zone) Affordable Housing Set-Aside: TIRZ's designated under [Section 311.005\(a\)\(4\)](#) of the Tax Code, where the population of the county exceeds 3.3 million, must contribute at least one-third of the tax increment of the zone toward the provision of affordable housing, during the term of the zone. These funds, collectively, are referred to as TIRZ Set-Aside funds.

Unfair Lending Practices: abusive practices or unscrupulous actions carried out by a lender to entice, induce and/or assist a borrower in taking a mortgage that carries high fees, a high-interest rate, strips the borrower of equity, or places the borrower in a lower credit rated loan to the benefit of the lender. These practices are prohibited under the Fair Housing Act (FHA) and the Equal Credit Opportunity Act (ECOA).

XIII. Appendix A-Ground Lease

APPENDIX A
GROUND LEASE