



# **HOMEBUYER CHOICE PROGRAM (HCP) GUIDELINES**

**Version 3.0**

Effective Date: February 21, 2023

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**Version Block**

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"> <li>• Introduction, Program Administration, Roles and Responsibilities, Appeals, Eligibility Requirements, Home Purchase Requirements, Funding and Contract Terms, Underwriting Criteria</li> </ul> <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>
3.0	02/21/2023	<p>-Updated Roles/Responsibilities</p> <ul style="list-style-type: none"> <li>• HCLT to determine eligibility</li> </ul> <p>-Created definition of an Eligible Home and Subsidy Layering Analysis            -Acknowledged that the Restrictive Covenant is included in the Ground Lease            -Restructured the Program Process</p> <ul style="list-style-type: none"> <li>• Defined at what point HCDD will be handed the file for environment review and inspection.</li> <li>• List out what documents will be provided when HCDD receives the file.</li> <li>• What document HCDD will provide to HCLT after review of the property.</li> <li>• Defined the closing process HCLT will perform.</li> <li>• List the documents HCLT will provide for a closing.</li> </ul> <p>Added to Home Purchase Requirements</p> <ul style="list-style-type: none"> <li>• Home cannot be tenant occupied</li> <li>• Seller required to certify occupancy status</li> </ul> <p>Added to Eligibility Requirements</p> <ul style="list-style-type: none"> <li>• Annual household income will include assets being computed at .06% passbook savings for net assets over \$5,000</li> <li>• Added samples of buyer's contribution</li> <li>• Liquid assets increased to \$75,000</li> <li>• Added Waiver verbiage for asset over \$75,000</li> <li>• Added Sex Offender verbiage</li> <li>• Added Child Support verbiage</li> <li>• Added First Time Homebuyer verbiage</li> <li>• Added current utility bill status</li> </ul>

		<ul style="list-style-type: none"><li>• Changed number of days an HCP Qualification Letter is valid</li></ul> Added to Funding Requirements <ul style="list-style-type: none"><li>• Cash back is not allowed at closing</li></ul> Changed the Complaints/Appeals <ul style="list-style-type: none"><li>• The Tier 1 appeal will be handled by HCLT</li></ul> <i>HCDD Management Approval 1/6/2023</i> <i>HCA Approval 2/21/2023</i>
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*The Housing and Community Development Department's (HCDD) 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 Lease<sup>1</sup>.

## **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 matters related to the HCP. HCDD and the HCLT will each have roles and responsibilities in the administration of the Homebuyer Choice Program.

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<sup>1</sup> 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.

HCDD will:

- Establish and maintain clear guidelines, standard operating procedures, and eligibility qualifications for the Program.
- Coordinate and oversee environmental review and home inspections;
- Fund the HCP subsidy at closing;
- Review monthly reports from HCLT to ensure the Department’s objectives stated in this program are accomplished adequately.

HCLT will:

- 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 Homebuyer Choice Program Qualification and Home Purchase Procedures (the “HCLT Program Procedures”);
- Perform homebuyer income certifications;
- 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 Program 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 subsidy towards the purchase price of an eligible home including but not limited to, reasonable homebuyer’s closing costs<sup>2</sup>. The HCP subsidy is intended to bridge the gap between the purchase price of the home and the homebuyer’s contribution (i.e. financing or other funding sources or both) and closing costs that are not paid directly by the homebuyer.

The HCP subsidy will be subject to the HCLT obtaining ownership of the land at the closing of the purchase transaction. HCDD will wire the HCP subsidy to the title company at closing for disbursement to the seller, which will ultimately result in the homebuyer holding title to the improvements and HCLT

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<sup>2</sup> See section VIII Funding Requirements and Contract Terms for eligible uses of funds.

holding title to the land. To preserve the property’s permanent affordability under these guidelines (“HCP Guidelines”) the HCLT will own and hold the land beneath the home purchased through HCP. The land will be subject to the HCP Restrictive Covenant, which is covered in the Ground Lease. 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 the HCLT to ensure that the price of their interest in the home at resale remains affordable for future low-income homebuyers 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 Process**

### **A. Intake and Application**

1. To apply for the program, a potential homebuyer will submit an application online at [www.houstonclt.org](http://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 with the application and complete all program requirements. HCLT staff will provide direct assistance to the homebuyer and will review required documentation of household size, income and other documentation to determine eligibility.
3. In accordance with HCLT Program Procedures, 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 subject to program requirements, final purchase approval, and the execution of an agreement with HCLT stating 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.

### **B. The Property Process**

1. 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, as described in Section VI. A below..
2. A request will be submitted to HCDD’s Single Family Eligibility (SFE) to:
  - Create a file in the system of record, OnBase
  - Perform an environmental review of the property
  - Perform an inspection of the property – required for all property’s receiving assistance to ensure it meets all applicable federal, state and/or local minimum property standards.



3. HCLT will provide to HCDD:
  - a. HCDD Informational Sheet
    - i. Providing applicant(s)' demographic and eligible home information
  - b. Fully executed contract
  - c. HCP Qualification letter
  - d. Property Data Worksheet
  - e. TREC inspection report – inspection must be conducted after all construction work has been completed.
  - f. Acknowledgement of Lead Base Paint Notice (if applicable)
4. Following a satisfactory review of the property, HCDD will issue a Property Eligibility Letter to HCLT.
5. HCLT will ensure the DTI is within the program guidelines and within three (3) business days, will issue a Grant Letter to the homebuyer for a final approval of the file.

### **C. The Closing**

1. Prior to closing:
  - HCLT will review the closing disclosure to:
    - i. Determine the final HCP subsidy amount
    - ii. Ensure they buyer is not receiving cash back at closing
  - HCLT will prepare and send the Land Transfer document to the Buyer and Realtor
  - HCLT will prepare and upload lender documents through the HCDD online portal:
    - i. Preliminary Closing Disclosure
    - ii. Most current Subsidy Layering Worksheet
    - iii. Wiring Instructions
2. The closing date is determined by HCDD and relayed to HCLT to coordinate with all other stakeholders to ensure the HCP funds are wired on the day of closing.
3. HCLT will prepare and send closing documents and any other documents as may be required by HCDD, the Lender or the Title Company (collectively, the Closing Documents) to the Title Company, three (3) days prior to closing:
  - Title Commitment from the Lender or Title Company
  - Ground Lease
  - Ground Lease Memo
  - Fannie Mae Rider
  - Deed for Land Only
  - Notice to Loan Servicer
  - Acknowledgement Letter (Homebuyer's Attorney)

## VI. Home Purchase Requirements

Once the applicant and co-applicant (if applicable) have received their pre-qualification letter from HCLT, they may begin shopping for a home 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. HCLT will publish these criteria on their website<sup>3</sup>.

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

**A. Eligible Home Types:** Eligible properties must:

- a. Be a Single-Family Home (defined below in the definitions section)
- b. Cannot be tenant occupied
  - i. A vacant property cannot have been occupied by a tenant or occupant (with or without a written lease agreement) 90 calendar days from the date of the earnest money contract or listed for sale on any marketing platform and
  - ii. The seller is required to certify the occupancy status of the property by completing a Seller's Occupancy and Notice to Seller form

**B. Location:** The property must be located within the City of Houston jurisdiction 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 determine that:

- 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 the latest City of Houston, Chapter 19 Floodplain requirements ordinance<sup>4</sup>, 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 section (D) of Minimum Property Standards.

**D. Minimum Property Standards:**

The property selected by the applicant(s) through the HCLT/HCP, regardless of the funding source, must have a recent Texas Real Estate Commission (TREC) inspection. TREC inspections that are completed while the property is under construction will not be accepted by the program. The City inspector will evaluate the TREC inspection report to determine if any deficiencies are present and will advise which deficiencies must be addressed.

HCDD requires an internal inspection of all units receiving assistance prior to closing, to ensure the unit is free from defects and is decent, safe and sanitary. A qualified City inspector and/or an agent working on behalf of the City will inspect the property to determine whether the property meets the inspection protocol of the latest HCDD's Minimum Construction Standard for Single Family Housing.

A maximum of three (3) property inspections will be conducted. If a home does not meet the requirements after the third inspection, the applicant(s) must select

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<sup>3</sup> [www.houstonclt.org](http://www.houstonclt.org)

<sup>4</sup> [https://library.municode.com/tx/houston/codes/code\\_of\\_ordinances?nodeId=COOR\\_CH19FL](https://library.municode.com/tx/houston/codes/code_of_ordinances?nodeId=COOR_CH19FL)

a new property.

- 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 Minimum Construction Standards.

## VII. Homebuyer Eligibility Requirements

A homebuyer applicant and co-applicant (if applicable) enters the program via the existing HCLT intake process (<https://www.houstonclt.org/apply-now>) as outlined in HCLT's Homebuyer Choice Program Qualification and Home Purchase Procedures (the "HCLT Program Procedures").

**D. Pre-Offer Requirements:** The homebuyer applicant and co-applicant (if applicable) 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).

**E. Annual Household Income:**

- a. Homebuyer applicant and co-applicant (if applicable) must be certified at or below 80% AMFI<sup>5</sup>. HCLT staff will 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. Assets will be computed using .06% passbook savings rate for net assets over \$5,000.

**F. Limited Debt Requirement:** Homebuyer applicant and co-applicant (if applicable) 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).

**G. Buyer Down Payment and Savings Requirement:**

- a. Homebuyer applicant and co-applicant (if applicable) must contribute at a minimum, \$350 towards the purchase of the home (this can be fees paid for the appraisal, inspections, earnest money, etc.).
- b. Maintain at least \$1,000 in savings at closing.

**H. Housing Counseling Requirements:**

- a. Homebuyer applicant and co-applicant (if applicable) must obtain an 8-hour HUD-certified Homebuyer Education course completion certificate.<sup>6</sup>
  - i. Certifications are only valid one year after the date the class was completed.

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<sup>5</sup> Based on HUD's annual income limits which may adjust annually. For the latest annual income limits please visit the HUD <https://www.huduser.gov/portal/datasets/il.html>

<sup>6</sup> HUD maintains a database of approved Housing Counseling Agencies online at [www.HUD.gov](http://www.HUD.gov). "Cost may be associated at the Homebuyer expense. A valid (not expired) certification is required."

- b. Homebuyer applicant and co-applicant (if applicable) must attend a HCLT Orientation course, taught by HCLT staff.
- c. Homebuyer applicant and co-applicant (if applicable) 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.

### **I. Liquid Assets**

- a. Liquid assets for the household cannot exceed \$75,000. Except in the following circumstances (all instances will require 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. Funds received from scholarships including awards under federal work-study programs
- b. Waivers may be granted to this requirement in situations where the applicant and co-applicant (if applicable) is:
  - i. Near retirement (within two years or less)
  - ii. Retired (ceasing to collect income from employment and/or self-employment)
  - iii. Permanently disabled or other unusual circumstances where an applicant's ability to work is severely diminished and the applicant is solely dependent on liquid assets to pay for basic living expenses.

Note: Waiver authorizations must be provided in writing, citing the justification for the waiver along with proof (doctor's statement, etc.). The waiver must be kept in the applicant's file.

- c. Homebuyer applicants and co-applicants(s) (if applicable) 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. Homebuyer applicant(s) and co-applicant(s) (if applicable) 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.

### **J. Additional Homebuyer Eligibility Requirements**

- a. Homebuyer applicant and co-applicant (if applicable) must provide supporting documentation of legal guardianship for all minor household members at or under the age of 17.
- b. All household members (including applicant and co-applicant) 18 years of age or older cannot be registered sex offenders.
- c. All household members (including applicant and co-applicant) 18 years of age or older must be current on payment for child support, or on an approved payment plan.
- d. Must be a first-time Homebuyer.<sup>7</sup> If interest in an inherited property or sole ownership is determined, then the Homebuyer must file a Quit Claim Deed to relinquish ownership or sale the property.

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<sup>7</sup> First-time homebuyer refers to an individual and who have not owned a home during the three-year period prior to purchase of a home with assistance under the American Dream Down payment Initiative (ADDI) described in subpart M of 24 CFR Part 92 (This also includes a spouse); an individual who is a displaced homemaker or single parent, as those terms are defined in this section; or an individual shall not be excluded from consideration as a first-time homebuyer on the basis that the individual owns or owned, as a

- e. Homebuyer applicant and co-applicant (if applicable) must be current on all utility bills.
- f. Eligibility requirements are valid for 90 days from the date listed on the HCP Pre-Qualification letter). After 90 days, the applicant(s) can request a 30 calendar day extension of their qualification letter. If the applicant(s) has not closed within 120 calendar days, they will have to be recertified or forfeit their funding.

**K. Pre-Approval Requirement:**

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

**L. Real Estate Agent Representation:** The Homebuyer applicant and co-applicant (if applicable) must be represented by a licensed Real Estate Agent in the home purchase transaction in accordance with HCLT's Buyer Representation Policy.

**M. HCLT Ground Lease:** At closing, HCLT must take title to the land beneath the home and the Homebuyer applicant and co-applicant (if applicable) 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, will be made available to the HCP to assist income eligible homebuyers with acquiring the improvements of either an existing or a newly constructed home and to assist HCLT with acquiring the 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 costs<sup>8</sup> (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 subsidy 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; (4) nor is cash back to buyer at closing is not allowed.

**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:

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principal residence during the three-year period, a dwelling unit whose structure is not permanently affixed to a permanent foundation in accordance with local or other applicable regulations or is not in compliance with State, local, or model building codes, or other applicable codes, and cannot be brought into compliance with the codes for less than the cost of constructing a permanent structure

<sup>8</sup> HCLT underwriting staff maintain discretion in determining whether involved closing costs are reasonable in the context of market rates for respective services.

- a. The property must be occupied as the Principal Residence of the Homebuyer, their spouse or their 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 Price<sup>9</sup> 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.

## IX. Underwriting Criteria

Homebuyer applicant and co-applicant (if applicable) 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 (if applicable) 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 school<sup>10</sup> 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.<sup>11</sup>
- 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.

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<sup>9</sup> 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.

<sup>10</sup> TEA school report cards website: <https://tea.texas.gov/texas-schools/accountability/academic-accountability/performance-reporting/school-report-cards>

<sup>11</sup> 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=558f04db61084183b3423632de9efc56>

- c. If the price of the home is less than the maximum HCP subsidy limits plus the minimum homebuyer contribution, then the HLCT 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](http://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 eligible home may not exceed the maximum contract price.

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

**E. First Mortgage Terms:**

To ensure that homebuyers receiving HCP subsidy 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. 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, HCLT underwriting staff will determine whether the 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. Cross Cutting Federal Regulations**

**A. Americans with Disabilities Act (ADA)**

The Americans with Disabilities Act of 1990 (ADA) prohibits discrimination and ensures equal opportunity for persons with disabilities in employment, state, and local government services, public accommodations, commercial facilities, and transportation. It also mandates the establishment of telecommunications device for the deaf (TDD)/telephone relay services. The City of Houston Housing and Community Development Department (HCDD) takes affirmative steps to ensure that people with disabilities have equal access to the programs offered by HCDD,

and that any services are delivered in the most integrated manner possible.

### **B. Fair Housing Act**

The [Fair Housing Act](#) requires all grantees funded in whole or in part with HUD financial assistance to certify that no person was excluded from participation in, denied the benefit of, or subjected to discrimination in any housing program or activity because of age, race, color, creed, religion, familial status, national origin, sexual orientation, military status, sex, disability, or marital status. The Fair Housing Act exempts owner-occupied buildings with no more than four units, single-family houses sold or rented by the owner without the use of an agent, and housing operated by religious organizations and private clubs that limit occupancy to members.

### **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](http://www.hud.gov/offices/fheo)

### **City of Houston Fair Housing Hotline**

832-394-6200 ext. 5

### **C. Access to Records**

The availability of records is subject to the exceptions to public disclosure set forth in the Texas Public Information Act, Chapter 552 of the Texas Government Code, (“TPIA”). TPIA requests must be made in writing to the City’s Public Information Officer and will be processed in accordance with the procedures set forth therein.

### **D. Fraud, Waste, and Abuse**

The City will assess all program systems, processes and Standard Operating Procedures from an anti-fraud, waste, and abuse perspective. The City will provide anti-fraud training to program staff. The City will assess all program systems, processes and Standard Operating Procedures from an anti-fraud, waste, and abuse perspective. The City will provide anti-fraud training to program staff. Any potential fraud, waste, and abuse detected by staff must be reported to the Allegations Coordinator or directly to the Office of Inspector General. Anyone with information regarding known or suspected misappropriation of funds or resources is encouraged to report the information to the Allegations Coordinator via email at [housingfraud@houstontx.gov](mailto:housingfraud@houstontx.gov) or directly to the Office of Inspector General at:

### **City of Houston Office of Inspector General**

900 Bagby, 4<sup>th</sup> Floor

Houston, Texas 77002; or

P.O. Box 368

Houston, Texas 77001-0368

832-394-5100

### **HUD OIG Field Office**

1301 Fannin Street, Room 2200

Houston, Texas 77002

1-800-347-3735

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## **E. Conflicts of Interest**

A conflict of interest is 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.

The Program requires compliance with all applicable conflict of interest provisions, including but not limited to federal, state, and local statutes, laws, regulations, ordinances, and other requirements including but not limited to the Texas Local Government Code Chapters 17112, 17613, and 55314, Chapter 36, Sections 36.0215 and 36.0816 and Chapter 39, Section 39.0217 of the Penal Code, Article VII, Section 4 of the City Charter 18, Chapter 14, Article II, Section 14-18319, Chapter 15, Article III, Sections 15-120 (as amended by City Ordinance No. 2021-4421), 15-5522, & 15-5623 and Chapter 18, Article I, Section 18-324 of the City of Houston's Code of Ordinance, Executive Order 1-2825, City of Houston Conflict of Interest Policy #2-2226, and the HCDD's latest Conflict of Interest Policy.

The Conflict-of-Interest provisions require HCDD staff to disclose any relationship with an applicant, vendor or contractor. HCDD staff, sub-grantees, program administrators, vendors and contractors who disclose such relationships are placed in roles where there is no opportunity for them to display favoritism or collude to financially or otherwise benefit themselves, the applicant, vendor or the contractor. For example, a customer representative may not perform work on the application of family. For purposes of this regulation, "family" is defined to include spouse, parents, mother-in-law, father-in-law, grandparents, siblings, brother-in-law, sister-in-law, and children of an official covered under the aforementioned conflict of interest provisions.

## **F. Confidentiality/Privacy**

The Program is committed to protecting the privacy of all individual stakeholders, including the public and those individuals working on the program. The program's policies describe how information is to be handled and protected. The purpose of this privacy policy is to establish when and under what conditions certain information relating to individuals may be disclosed.

The data collected from Applicants for the Program may contain personal information on individuals that is covered by applicable federal and state laws, regulations, and rules. Effective

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<sup>12</sup> <https://statutes.capitol.texas.gov/Docs/LG/htm/LG.171.htm>

<sup>13</sup> <https://statutes.capitol.texas.gov/docs/lq/htm/lq.176.htm>

<sup>14</sup> <https://statutes.capitol.texas.gov/Docs/GV/htm/GV.553.htm>

<sup>15</sup> <https://statutes.capitol.texas.gov/Docs/PE/htm/PE.36.htm#36.02>

<sup>16</sup> <https://statutes.capitol.texas.gov/Docs/PE/htm/PE.36.htm#36.08>

<sup>17</sup> <https://statutes.capitol.texas.gov/Docs/PE/htm/PE.39.htm#39.02>

<sup>18</sup> [https://library.municode.com/tx/houston/codes/code\\_of\\_ordinances/178617?nodeId=CH\\_ARTVIICICO\\_S4REUPMECO](https://library.municode.com/tx/houston/codes/code_of_ordinances/178617?nodeId=CH_ARTVIICICO_S4REUPMECO)

<sup>19</sup> [https://library.municode.com/tx/houston/codes/code\\_of\\_ordinances?nodeId=COOR\\_CH14CISE\\_ARTIIRU\\_DIV15RU15.DIACGE\\_S14-183VICEST](https://library.municode.com/tx/houston/codes/code_of_ordinances?nodeId=COOR_CH14CISE_ARTIIRU_DIV15RU15.DIACGE_S14-183VICEST)

<sup>20</sup> [https://library.municode.com/tx/houston/codes/code\\_of\\_ordinances?nodeId=COOR\\_CH15CO\\_ARTIINGE\\_S15-1PUPOPRIINCOPEINCI](https://library.municode.com/tx/houston/codes/code_of_ordinances?nodeId=COOR_CH15CO_ARTIINGE_S15-1PUPOPRIINCOPEINCI)

<sup>21</sup> [https://library.municode.com/tx/houston/ordinances/code\\_of\\_ordinances?nodeId=1066559](https://library.municode.com/tx/houston/ordinances/code_of_ordinances?nodeId=1066559)

<sup>22</sup> [https://library.municode.com/tx/houston/codes/code\\_of\\_ordinances?nodeId=COOR\\_CH15CO\\_ARTIICOPR\\_S15-55COIN](https://library.municode.com/tx/houston/codes/code_of_ordinances?nodeId=COOR_CH15CO_ARTIICOPR_S15-55COIN)

<sup>23</sup> [https://library.municode.com/tx/houston/codes/code\\_of\\_ordinances?nodeId=COOR\\_CH15CO\\_ARTIICOPR\\_S15-56ETVAGUPR](https://library.municode.com/tx/houston/codes/code_of_ordinances?nodeId=COOR_CH15CO_ARTIICOPR_S15-56ETVAGUPR)

<sup>24</sup> [https://library.municode.com/tx/houston/codes/code\\_of\\_ordinances?nodeId=COOR\\_CH18ETFIDI\\_ARTIINGE\\_S18-3STCO](https://library.municode.com/tx/houston/codes/code_of_ordinances?nodeId=COOR_CH18ETFIDI_ARTIINGE_S18-3STCO)

<sup>25</sup> <https://www.houstontx.gov/execorders/1-28.pdf>

<sup>26</sup> <https://www.houstontx.gov/adminpolicies/2-22.pdf>

September 1, 2019, the Texas Public Information Act makes confidential the personal identifying information of any person who applies for federal or state disaster funding. These laws provide for confidentiality and restrict the disclosure of confidential and personal information. Unauthorized disclosure of such personal information may result in personal liability with civil and criminal penalties. The information collected may only be used for limited official purposes:

- Program staff may use personal information throughout the award process to ensure compliance with program requirements, reduce errors, and mitigate fraud and abuse.
- Independent auditors, when hired by the City to perform a financial or programmatic audit of the program, may use personal information in determining program compliance with all applicable State and local laws.
- HCDD may disclose personal information on an Applicant to those with official Power of Attorney for the Applicant or for whom the Applicant has provided written consent to do so.

Organizations assisting HCDD in executing the HCP must comply with all federal and state law enforcement and auditing requests.

### **G. Recordkeeping, Retention, and File Management**

HCDD has established recordkeeping and retention requirements for the purposes of maintaining records to adhere to program requirements and applicable federal, state, and local regulations including, but not limited to, Texas Government Code 552.004<sup>27</sup>, City of Houston Code of Ordinance Chapter 2, Article IV Division 5<sup>28</sup>, and HCDD Procedure #21-018 Records Management SOP.

The HCDD Records Management Program seeks to ensure that:

- HCDD complies with all requirements concerning records and records management practices under federal and state regulations;
- HCDD has the records it needs to support and enhance ongoing business and citizen service, meet accountability requirements, and community expectations; and
- These records are managed efficiently and can be easily accessed and used for as long as they are required.

## **XI. Complaints and Appeals**

The program is subject to the latest City of Houston Housing and Community Development Department (HCDD) Complaints and Appeal Policy 21-038, as amended.

### **A. 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., 9<sup>th</sup> Floor  
Houston, TX 77002  
Attn: Complaints & Appeals Team

<sup>27</sup> <https://statutes.capitol.texas.gov/Docs/GV/htm/GV.552.htm>

<sup>28</sup> [https://library.municode.com/tx/houston/codes/code\\_of\\_ordinances?nodeId=COOR\\_CH2AD\\_ARTIVCIRE\\_DIV5MUREMA](https://library.municode.com/tx/houston/codes/code_of_ordinances?nodeId=COOR_CH2AD_ARTIVCIRE_DIV5MUREMA)

**Phone Number**  
(832) 394-6388

**Email Address**  
[HCDDComplaintsAppeal@houstontx.gov](mailto:HCDDComplaintsAppeal@houstontx.gov)

**HCDD Business Hours**  
Monday through Friday  
8:00 AM to 5:00 PM

### **B. Appeals**

All program applicants/participants have the right to appeal written determinations made to their file within thirty (30) days from the date of a determination letter, with exceptions outlined in the HCDD Policy #21-038.

The appellant is entitled to two (2) levels of appeals. The first-level appeal decision will be rendered by the program and issue a response within 30-days of receiving the request, as practicable.

Should the initial appeal process with the Program 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) with HCDD. 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.

### **Appeal Requirements**

Appeals must be made in writing via website portal form, email, or US mail to HCDD's Complaints and Appeal Team. The HCDD's Complaints and Appeals team will receive all first- and second-level appeal requests.

An appeal request must include:

- First and Last Name
- Address
- Application Number (if applicable)
- Email (optional)
- Phone #
- Reason(s) for the appeal
- A specific explanation of the reason(s) disagreeing with the decision.
- Supporting documentation (if any)

Appeal requests can be sent by any of the following methods:

- Website Portal - <https://recovery.houstontx.gov/request-for-appeal/>
- Email - [hcddcomplaintsappeal@houstontx.gov](mailto:hcddcomplaintsappeal@houstontx.gov)
- Mail or in-person during regular business hours – See address below

Housing and Community Development Department  
2100 Travis St., 9th Floor  
Houston, TX 77002  
Attn: Complaints & Appeals Team  
Monday – Friday 8 a.m. – 5 p.m.

## 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 annually<sup>29</sup> 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.

**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.

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<sup>29</sup> [HUD Income Limits](#)

**Eligible Home:** A home being purchased within the City of Houston jurisdiction, which includes the land and the improvement and meets the home selection criteria.

**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 an 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-certified<sup>30</sup> 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):** HQS define "standard housing" and establish the minimum criteria for the health and safety of program participants.

**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.

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

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<sup>30</sup> HUD maintains a database of approved Housing Counseling Agencies online at [www.HUD.gov](http://www.HUD.gov).

**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.

**Subsidy Layering Analysis:** An internal form that allows the program area to determine affordability of a home by defining the front-end ratio and back-end ratio.

**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).



**APPENDIX A -  
GROUND LEASE**



**HOUSTON COMMUNITY LAND TRUST  
GROUND LEASE**

by and between

Houston Community Land Trust

and

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Dated: \_\_\_\_\_