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Understanding TPH's Homeownership Program

Twin Pines Housing is a community land trust that helps persons of modest means buy a home at far less than market price. In exchange, TPH buyers agree to limit the profit they receive at resale in order to keep their home affordable to future buyers of modest means. Our homeownership department has been selling and serving as the long-term steward of permanently affordable homes for almost 30 years. As of 2019, we have 47 homes in our portfolio (37 in Vermont, 10 in New Hampshire) in Windsor and Orange Counties in Vermont and Grafton County in New Hampshire. Most of our homeowners work for a hospital such as Dartmouth Hitchcock Medical Center, a school such as Dartmouth College or a local school district, local businesses or towns or are self-employed. Many are families with children, though we also have empty-nesters and retirees.

TPH's Homeownership Program can help you buy a home in one of two unique ways: one is by buying a home that is already in TPH's program; the other is by finding a qualified home in Vermont that is brought into TPH's portfolio. Under both scenarios, TPH helps primarily by providing you with down payment grant monies. We cannot waive credit issues, however, we can direct you to free credit counseling resources.

To qualify for TPH's homeownership program, a buyer may not earn more than 120% of the median income for the county they wish to purchase in, at the time of purchase. For example, in Windsor County, the maximum income in 2019 is $63,960 for a household of one person and $82,200 for a household of three persons (and higher for a larger family). Asset limitations also apply.

If you are considering TPH's homeownership program, you will need to decide whether to buy a home in the first place.

Should I Buy a Home?

Buying a home, if you choose to do so, will be one of the biggest investments you make in life. As with any big decision, there are benefits and disadvantages to consider.

The benefits of homeownership include:

- **Stability.** You can live in your home for as long as you wish. If you have a fixed rate loan, your mortgage payments won't change; by contrast, your landlord may increase rent each year.
- **Possibly reduced taxes.** If you itemize your deductions instead of taking the standard deduction, then you will be able to deduct the interest on your home loan and the property taxes you pay from your taxable income.
- **Forced savings.** With each mortgage payment, you are paying yourself and not your landlord. Over time, you will build equity in your home, which you can borrow against or convert into cash by selling your home.
- **Control over your environment.** You can have pets and make changes to your home to suit yourself. Homeowners benefit from the security and stability that comes from having direct control over a significant asset – their homes.

In addition, TPH's downpayment grant often allows homeowners to afford their homes at a lower monthly cost than it would cost to rent a comparable home.

Disadvantages of homeownership include **costs** (the cost of a mortgage, utilities and maintenance may be higher than rent), **maintenance and repairs** (when you own a home, repairs are your responsibility), **decreased mobility** (you often can't move until you sell or rent your home) and **risk** (there is no guarantee your home will appreciate in value although proper maintenance and repair will help keep up your home's value). As a homeowner, you will need to budget for home maintenance and repairs. Experts recommend setting aside 1% to 3% of the purchase price of the home annually, to pay for maintenance and repairs.

Should I Buy a TPH Home?

If you decide that homeownership is right for you, congratulations! TPH is here to help you with the home buying process and to offer homeownership opportunities when available. When funds are available, we can provide a down payment grant to go towards the home of your choosing or one of our homes that have become available for purchase. Our grant allows you to buy a home for substantially less than market value; in exchange, you agree to sell the home at less than market value. This is known as shared-equity homeownership.

Shared equity homeownership ensures that the community's investment in affordable housing will be preserved so that it can serve one family after another in the future. The risks and rewards of homeownership are shared between the buyer and the organizational steward (in this case, TPH) who protects the affordability, quality and security of that home long after it is purchased. By contrast, although a conventional homebuyer will profit more than a TPH homeowner, the conventional homebuyer will also hold all the risk of homeownership.

Shared equity homeownership is not for everyone. It is often described as a step between renting and conventional homeownership. TPH provides pre-purchase education and support to prepare families for homeownership, either directly or through our sister agencies. After purchase, we provide ongoing stewardship services to our homeowners in order to help our buyers succeed as homeowners.

If you decide homeownership is right for you, here are reasons why buying a shared-equity home through TPH may make sense:

- Ability to buy a home that you otherwise could not buy.
- Downpayment assistance from TPH of up to $44,000 (or 20% of the price of a home, whichever is less), and in some cases closing cost assistance of up to $4000.
- The down payment assistance from TPH will reduce the amount you need to borrow from the bank and that in turn will lower your monthly mortgage amount. In fact, your monthly housing costs (mortgage, taxes and insurance) are often less than the cost to rent a comparable home.
- Pay less on the interest on your mortgage loan. For instance, if you borrow $85,000 to buy a home, instead of borrowing $130,000 to buy a costlier home, you will spend $52,125 less on interest during the life of a 30-year loan, at 6% interest.
- You are less likely to lose your home. Studies done of conventional buyers show that half of low-income, first-time homeowners return to renting within five years of buying a home, and that lower income homebuyers are more likely to lose their homes through foreclosure. By contrast, during TPH's 30 years of existence, we have not lost any TPH homes through foreclosure.
- You will build wealth. When reselling your home, you are likely to walk away with more wealth than what you had when first buying the home. Most TPH homeowners bring only a few thousand dollars in cash to buy their home. When they sell, however, they are often walking away with $15,000 to $30,000 in profit, plus the amount of mortgage principal they have paid down. Typically, the more

capital improvements made to a home and the longer a homeowner stays in the home, the more they walk away with.

- The proceeds that you make at resale may be enough to allow you to make a downpayment on a market rate home.
- According to a recent study, when the forced savings of making mortgage payments is taken into account, the average shared-equity seller received $8,205 more from the resale of their house or condominium than they would have received had they invested in stocks.

- Capital improvements to your home are encouraged. You will receive 100% of the value of approved capital improvements that you make to your home.
- Zero to very low interest loans may be available to you for home repairs.
- You will pass on the benefit you received to the next buyer, thereby giving back to the community.

In exchange for the benefits listed above, TPH homeowners agree to limit the amount of profit they would otherwise make on a home. Instead of receiving 100% of the profit if any appreciation has occurred, TPH homeowners receive 25% of the profit. The rest stays in the home to keep the home affordable to future buyers. If no appreciation has occurred, then the conventional homeowner is no better off than the TPH homeowner. In addition, like conventional homeowners, TPH homeowners pocket on resale whatever equity they brought as downpayment, as well as the equity earned in paying down their mortgages and the investment they made in capital improvements to the home. See next page for an example.

In order to ensure that public funds are benefiting homeowner and not rental investors, TPH homeowners are required to live in the home as a primary residence for at least 9 months of the year. Limited exceptions are made on a case-by-case basis.

What Can I Sell My TPH Home For?

EXAMPLE:

At Time of Purchase:

$200,000 original appraised value

- $50,000 TPH grant

= $150,000 net purchase price

At Time of Resale:

$240,000 new appraised value

- $200,000 original appraised value

= $40,000 increase in market value

When You Sell, You Would Get Back:
25% of the appreciation ($10,000 in the example above) PLUS your original downpayment if any, the amount of mortgage principal you've paid, and 100% of the value of any approved capital improvements*.

$150,000 (net purchase price)

+ $10,000 (your 25% share)

equals **$160,000** plus 100% of any capital improvement credit

The next buyer would buy your home for a net purchase price of $160,000 plus up to a 6% stewardship fee to TPH. The stewardship fee helps to sustain TPH's homeownership program, as a long-term steward of the homes in our portfolio. The fee is only applied to the extent the home remains affordable to the next buyer.

TPH staff is available to our homeowners as a resource to help buyers keep and maintain their homes. When a TPH homeowner is ready to sell, TPH staff will qualify the buyers and help explain our program to lenders and potential buyers.

**Capital improvements materially add to the value of the home, considerably prolonging its useful life or adapting it to new uses. Examples of capital improvements are adding a bedroom or bathroom, installing a new roof and paving the driveway.*

TWIN PINES HOUSING