

CITY OF CLEARWATER
Shared-Equity Mortgage Guidelines
January 2006

The following program guidelines will be used for the City of Clearwater Down Payment Assistance, New Single-Family Construction, and Infill Programs, as it relates to the Shared-Equity provision of the City's loan documents.

The City of Clearwater Shared-Equity program will be in the form of a provision in our current loan documents for the above programs. All of the other terms and conditions of the City's Downpayment Assistance Loan will remain in full force and effect, except as noted in the Shared-Equity provision and as outlined below:

1. Definitions

- a. Approved Final Value – The value of the home that will be used by the City of Clearwater to establish the Net Appreciation. The Approved Final Value will be:
 - i. As determined by a contracted sales price, in the event of a sale, or as determined by a certified appraisal, as in the case of a payoff, refinance, or some other non-sale type situation. The City of Clearwater reserves the right to hire its own independent appraiser, at the borrowers cost, in the event it deems the appraisal furnished by the seller does not accurately reflect the market price, or for any other legitimate concern the City may have.
- b. Eligible Improvements – Capital Improvements in excess of \$3,000 that increase the value of the home. Eligible Improvements will not include maintenance items. All Eligible Improvements must be approved by the City of Clearwater in advance of construction. The Assistant Director of the City of Clearwater – Housing Division is authorized to approve the capital items that qualify as an Eligible Improvement as well as how the value of the Eligible Improvements will be established.
- c. Eligible Closing Costs – Shall mean those that are customarily charged to the seller as part of the real estate transfer process. Such items may include, but are not limited to: real estate commission, seller's title insurance, doc stamps on deed, and prorated property taxes.
- d. Outstanding Liens – Shall be any loan that the borrower used to acquire and/or improve the home.
- e. Net Appreciation – The amount of Net Appreciation shall be determined by taking sales price, less Eligible Closing Costs, less original owner investment, less any Outstanding Liens, less Eligible Improvements to property, less the

outstanding principal balance on the City of Clearwater Mortgage. The remainder shall be considered Net Appreciation and the applicable portion shall be returned to the City dependent on the year of the sale as follows:

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| i. Year 1 until end of 2 nd Year | 75% of appreciation |
| ii. 2 nd anniversary until end of 5 th Year | 50% of appreciation |
| iii. 6 th anniversary until end of 6 th Year | 30% of appreciation |
| iv. 7 th anniversary until end of 7 th Year | 10% of appreciation |

2. Shared-Equity Mortgage Repayment

- a. In the event that there is no Net Appreciation, or that Net Appreciation is a negative number, the amount of the City's original loan will still be due and payable, plus any late fees and interest, if applicable.
- b. In the event there are insufficient proceeds to pay off the City of Clearwater loan, the proceeds that are available, after deducting out applicable closing costs, will be considered sufficient.
- c. In cases where there are non-sufficient proceeds to repay any amount of the City loan, the City will release the obligation on the borrower.
- d. Throughout the thirty (30) year life of the mortgage, if the borrower should sell, refinance, rent, refinance, transfer ownership, or if the property ceases to be the principle homestead residence of borrower, the entire original loan balance, plus the applicable Net Appreciation during the first seven (7) years, is due and payable to the City of Clearwater.
- e. Repayments will be deferred until the home is sold, rented, refinanced, transferred, or no longer occupied as the primary/homestead residence of the applicant or on the 30th anniversary of the execution of the note and mortgage, whichever occurs first.
- f. At the time the applicant sells, transfers, no longer lives in the property, on or before the 30th anniversary of the execution of the note and the mortgage, the applicant must repay the original loan amount and, in addition, a share of Net Appreciation in the Approved Final Value of the property, if any.
- g. If the borrower pays off the City of Clearwater loan during the first five (5) years, the City will not record our mortgage satisfaction until after the fifth (5th) year. Full payment during the first five (5) years does not constitute a satisfaction of mortgage of the City's loan.
- h. If a borrower desires to pay off their loan during the first seven (7) years, and if they are not refinancing and/or selling the property, the borrower will be

responsible for obtaining an independent appraisal to determine the Approved Final Value at that time.

- i. In certain cases where a hardship may exist that forces a person to sell or refinance a home, and thus causing an undo financial burden on the borrower, the borrower may request a waiver from the City of this policy. The waiver decision will be reviewed by the Assistant Director of Housing and Director of the department.