Homebuyer DISCLOSURE STATEMENT RE COVENANT FOR AFFORDABLE HOUSING

PROPERTY NAME:

PROPERTY ADDRESS: 38 Lorchris Street, Leominster, Massachusetts

This is an important document for you to read and understand. It sets forth a number of ways in which the home you are about to purchase will be restricted, including the following:

A. This property has been acquired and renovated under a pilot program, NewVue Liabilities To Assets (hereinafter nv-lta). This program has received grant funding through the Department Of Housing And Community Development Of Massachusetts from a funding program called the Affordable Housing Trust Fund(AHTF). Under the terms of this grant funding, NewVue Liabilities To Assets (hereafter nv/lta) must sell this property to an income-eligible buyer whose household income does not exceed 110 percent of area median income. The “initial sale price” paid by the initial owner is $__________. The owner subsidy amount applicable to this property is one hundred thousand dollars ($100,000.00), which “burns off” over seven years. So long as the property is owned by one or more owners who are income-eligible households at the time of purchasing the property, this subsidy will be forgiven over a seven-year period in accordance with the Affordable Housing Covenant (AHC). Compliance with the covenant will be secured by a mortgage on the home. However, if, at any time while this covenant is in effect, the property is sold to a buyer that is not a qualified income-eligible household, the selling owner will be obligated to pay the then-outstanding balance of the owner subsidy amount.

B. If you desire to sell your home during the 7-year period, you must attempt to sell it to an income-qualified purchaser at no more than the maximum sales price which is defined in the affordable housing covenant. A resale during the 7-year term requires the supervision of DHCD and the monitoring agent. The ultimate responsibility for finding a purchaser will rest with you. If you sell your home to a purchaser who is not income qualified, you will be required to pay to AHTF some of the equity that would have accrued to the buyer. This would not be the case if the buyer had purchased another property without the AHC. The following example shows how this works:

> An Income Eligible Household sells its home after 5 years and 9 months of owner-occupancy to a non-Income Eligible Household for $300,000. An Owner Subsidy Amount of $100,000 is identified in the Covenant for this home. Since 5 full years have passed since the Income Eligible Household purchased its home, five-seventh of the Owner Subsidy Amount has burned-off, so the Owner Subsidy Burn-Off Amount is $71,429. At the time of sale, the Income Eligible Household owes $270,000 on its mortgage debt and has the following costs relating to the sale:

- $6,000 Monitoring Agent Fee,
- $1,368 deed excise tax, and
- $500 in other closing costs approved by the Monitoring Agent and DHCD.

The Owner Subsidy Repayment Amount is the <u>lesser</u> of:

1. The difference between the Owner Subsidy Amount and the Owner Subsidy Burn-Off Amount, which is $28,571.

   $100,000 - $71,429 = $28,571

<u>OR</u>

2. The difference between the sale price and the sum of the outstanding mortgage debt and the costs of sale identified above, which is $22,132.

   $300,000 - $270,000 - $6,000 - $1,368 - $500 = $22,132

In this example, the Income Eligible Household would owe an Owner Subsidy Repayment Amount of $22,132 when selling the home to the non-Income Eligible Household.
"<u>Property</u>" is as defined in the opening paragraph of this Covenant.

C. You must occupy the home you are purchasing as your principal residence.

D. There are additional factors for the buyer to understand, if s/he sells the property prior to the expiration of the AHC:

1. If the homebuyer sells the property before the AHC has expired, the price at which s/he can sell it must be approved by DHCD. This price is defined as the "maximum resale price" which is defined as the maximum price at which the property may be resold during the term of the AHC covenant to an income eligible household, which shall be calculated by the monitoring agent and approved by DHCD. The maximum sale price shall be the sum of the affordable sale price and the monitoring agent fee and shall not be less than the price paid for the property by the selling owner, unless such owner agrees to accept a lesser price. The maximum sale price could be less than market value.

2. As stated in D 1 above, the monitoring agent will be paid for its services the greater of two percent or the sales price or $3,000 if the property is resold during the period of the AHC. This is in addition to normal selling costs and will impact owner's equity.

3. The monitoring agent will take the lead in marketing the property during the period of the AHC so that an income eligible household can be located to purchase the property. The marketing must be done so that it complies with nv-lta's marketing plan. This could result in the resale taking longer than it otherwise might if there were no AHC.

4. If the owner sells during the term of the AHC, the interested buyer may encounter problems with securing financing through a lender as a result of foreclosure restrictions in the AHC. This could lead to the interested buyer learning that s/he will have to pay a higher interest rate on a mortgage than without the AHC. This, in turn, could result in the owner having to lower the property sale price so that the interested buyer could qualify for financing and thus the owner would realize less equity.

E. At the time that the homebuyer purchases the property, s/he will have to sign an acknowledgement which states the following: I have read this homebuyer disclosure statement and I understand the benefits and restrictions described therein, including that the sale of the home I am purchasing is subject to significant resale restrictions. I further acknowledge that I have read the affordable housing covenant and that I understand the obligations that I undertake by purchasing this home.