



CITY OF FALLS CHURCH  
**Affordable  
Homeownership  
Program**

City of Falls Church

Department of Human Services

Housing and Human Services Unit

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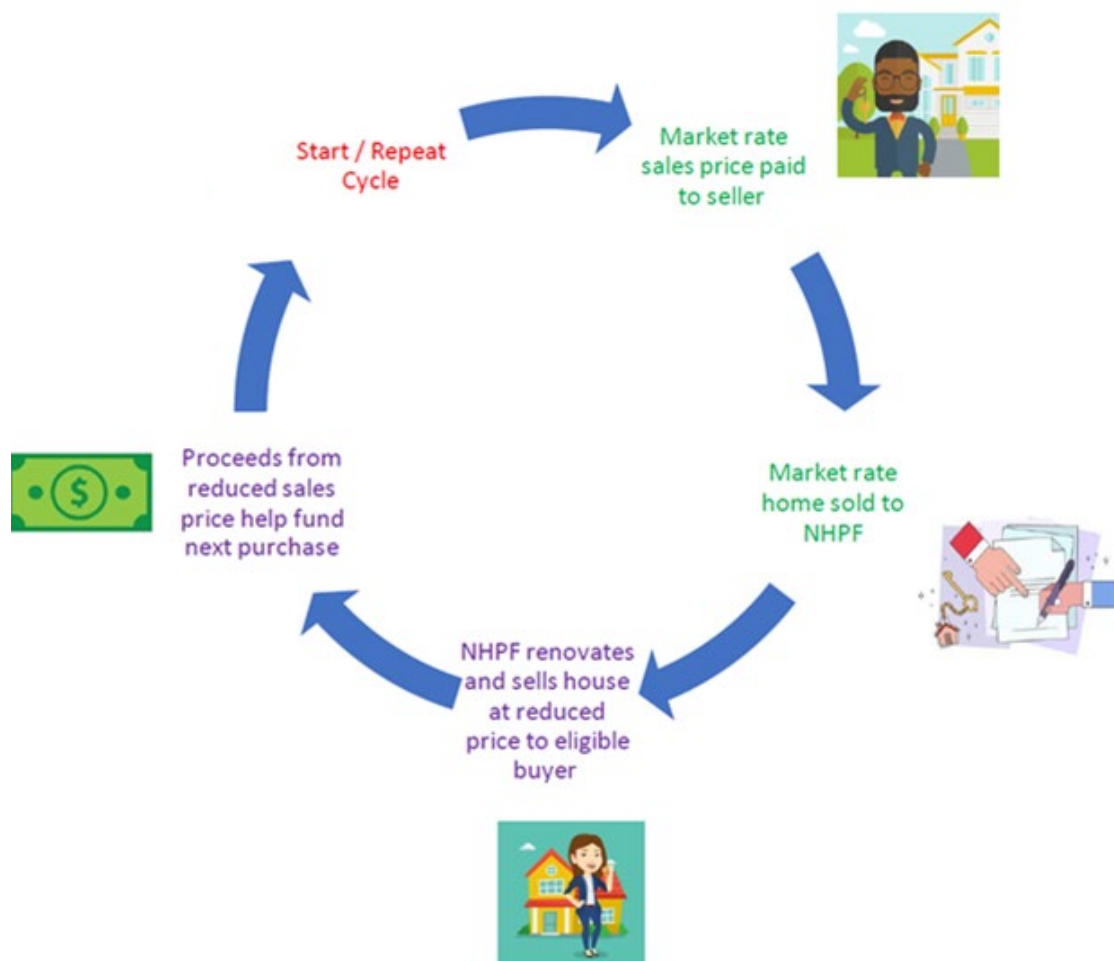
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## CHAPTER 1 - OVERVIEW

The City of Falls Church (City) is a unique city that balances its village community with exciting development along its main streets. Ideally situated between two large counties (Fairfax and Arlington), the City is the second smallest jurisdiction in Northern Virginia, covering 2.2 square miles.

## PROGRAM ADMINISTRATION

The City of Falls Church Affordable Homeownership Program (AHP) helps first-time homebuyers purchase homes in the City of Falls Church at a reduced price. The program is being funded by Virginia Housing Development Authority's (VA Housing) Resources Enabling Affordable Community Housing in Virginia (REACH) program, as well as funds from the City of Falls Church. AHP will be managed by The National Housing Partnership Foundation (NHPF) and the City of Falls Church's Housing and Human Services Department (HHS); collectively, referred to as AHP Administrators. The goal of the program is to offer affordable homes at sale prices below market rate to first-time homebuyers earning between 50% and 120% of Area Median Income (AMI) [Addendum A: 2023 HUD AMI Table]. To participate in AHP, participants must meet certain eligibility and prioritization requirements, outlined in Chapter 3.



NHPF will purchase homes at market value in the City of Falls Church, and resell these homes (also known as Eligible Properties) at a reduced price to first-time homebuyers. Prices will be affordable to buyers at 50% to 120% of AMI [Addendum A: 2023 HUD AMI Table]. Eligible Properties may include condominiums, townhomes, and in rare cases, single-family homes.

## PROGRAM BENEFITS

### SUBSIDIZED HOMEOWNERSHIP

AHP is administered by NHPF and HHS and is structured so that the sales price of the homes is affordable to households earning between 50% and 120% of AMI standards as published annually by the U.S. Department of Housing and Urban Development (HUD) [Addendum A: 2023 HUD AMI Table]. Properties will be subject to a restrictive covenant (discussed in Chapter 5). Additional information on the subsidy can be found in Addendum D: AHP Subsidy.

### RENOVATION BUDGET

NHPF will manage any needed rehabilitation to prepare each Eligible Property for sale, then work with the City to sell each Eligible Property to an Eligible Buyer referred by the City.

Renovation of existing units will be done with energy-efficiency improvements in mind to reduce utility costs for homeowners as well as to provide environmental benefits.

### PROGRAM COMPATIBILITY

AHP may work with the following VA Housing programs (note: this list is not exhaustive), which offer enhanced assistance to qualifying applicants:

- Sponsoring Partnerships and Revitalizing Communities Program (SPARC): A program administered by the City that reduces interest burden on qualifying applicants.
- Down Payment Assistance: This grant reduces the cost and time it takes to save for a down payment.
- Closing Cost Assistance: This grant reduces the out-of-pocket expenses that occur during the homebuying process. It can be paired with other non-VA Housing grants, making buying a first home even more accessible.

## CHAPTER 2 – AHP PROCESS

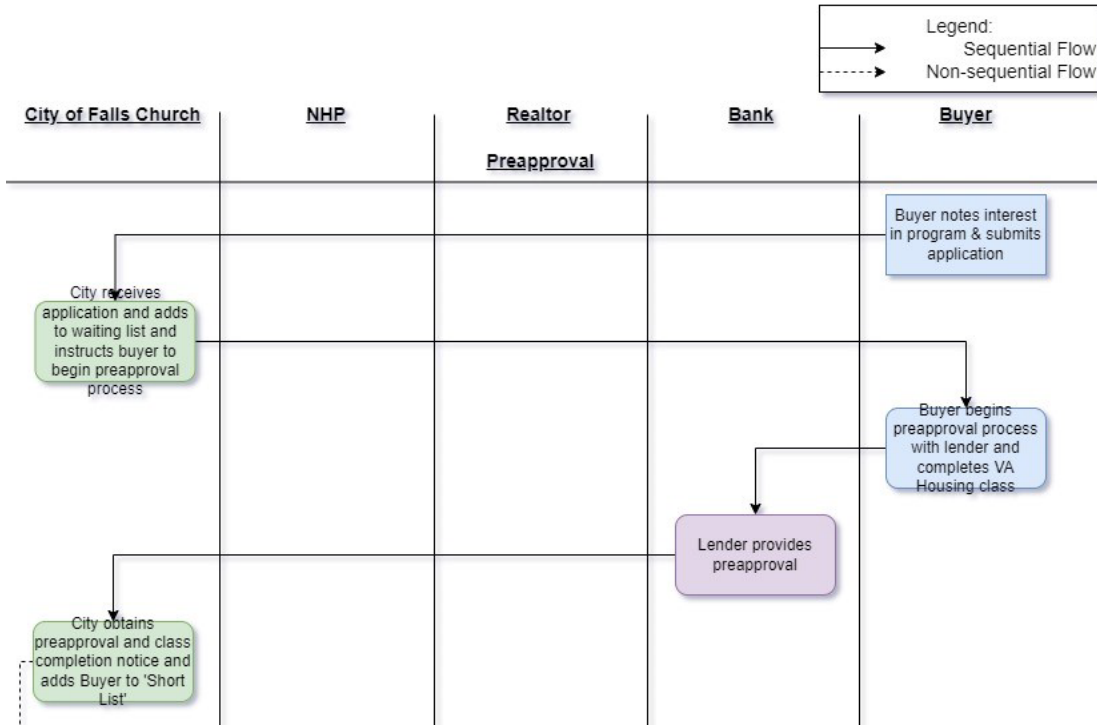
AHP can be summarized in four phases as noted below. Each phase (excluding the last phase) has several steps that are listed out and depicted in flow charts below (note that the charts are subject to change over the life of the program).

- Applicant Eligibility Phase (Chapter 3) – A prospective homeowner applies for the program and completes the process to become an Eligible Buyer.
- Property Eligibility Phase (Chapter 4) – A property is identified, purchased and, if applicable, renovated to become an Eligible Property.

- Homeownership Purchase Phase (Chapter 5) – The process by which NHPF and the City work to match an Eligible Property with an Eligible Buyer to turn the buyer into a homeowner.
- Property Resale Phase (Chapter 6) – The process by which a homeowner decides to sell the property and a portion of the proceeds is returned back to the City to fund future affordable housing initiatives.

### APPLICANT ELIGIBILITY PHASE

This chart shows the process by which a prospective homeowner applies for AHP and completes the process to become an Eligible Buyer.

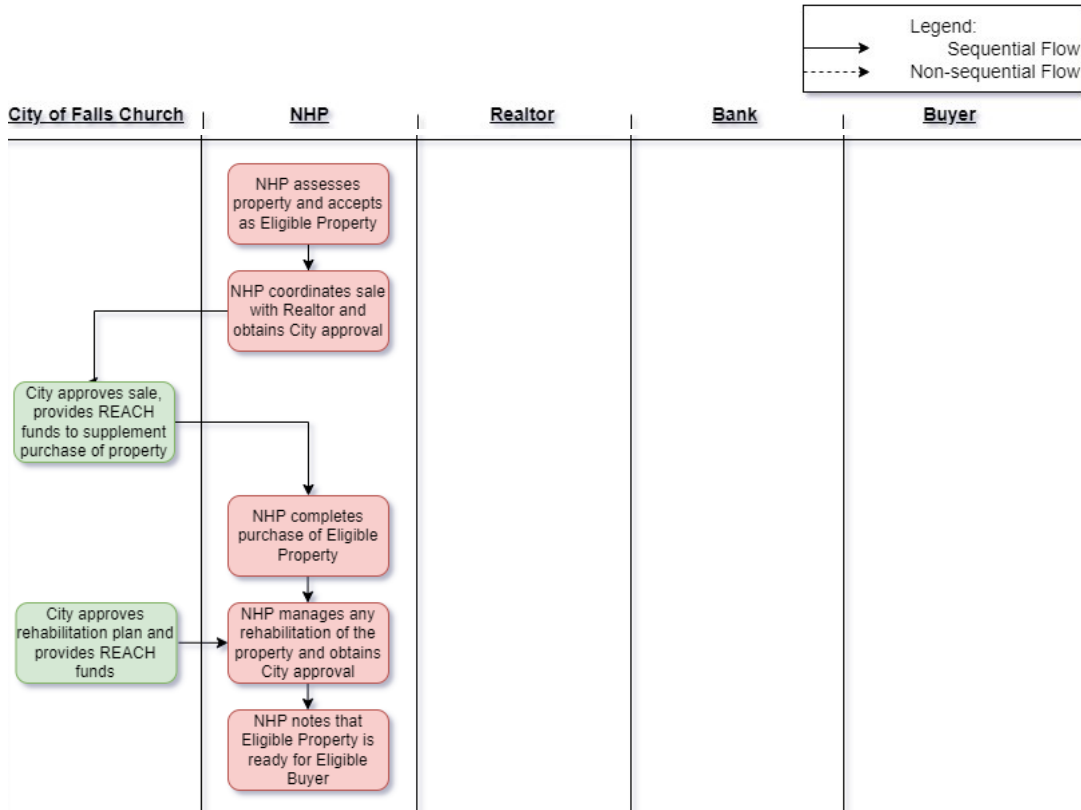


1. Prospective homeowner applies for the program
2. City receives application, determines eligibility for waitlist, and directs prospective homeowner to contact a lender and begin the approval process
3. Prospective homeowner contacts lender
4. Lender works with prospective homeowner to submit a Pre-Approval Form to the City
5. City receives Pre-Approval Form and confirms that a prospective homeowner is an Eligible Buyer

\* Note: Prior to closing on an Eligible Property, an Eligible Buyer must attend and complete a VA Housing Homeownership Education Program class

## PROPERTY ELIGIBILITY PHASE

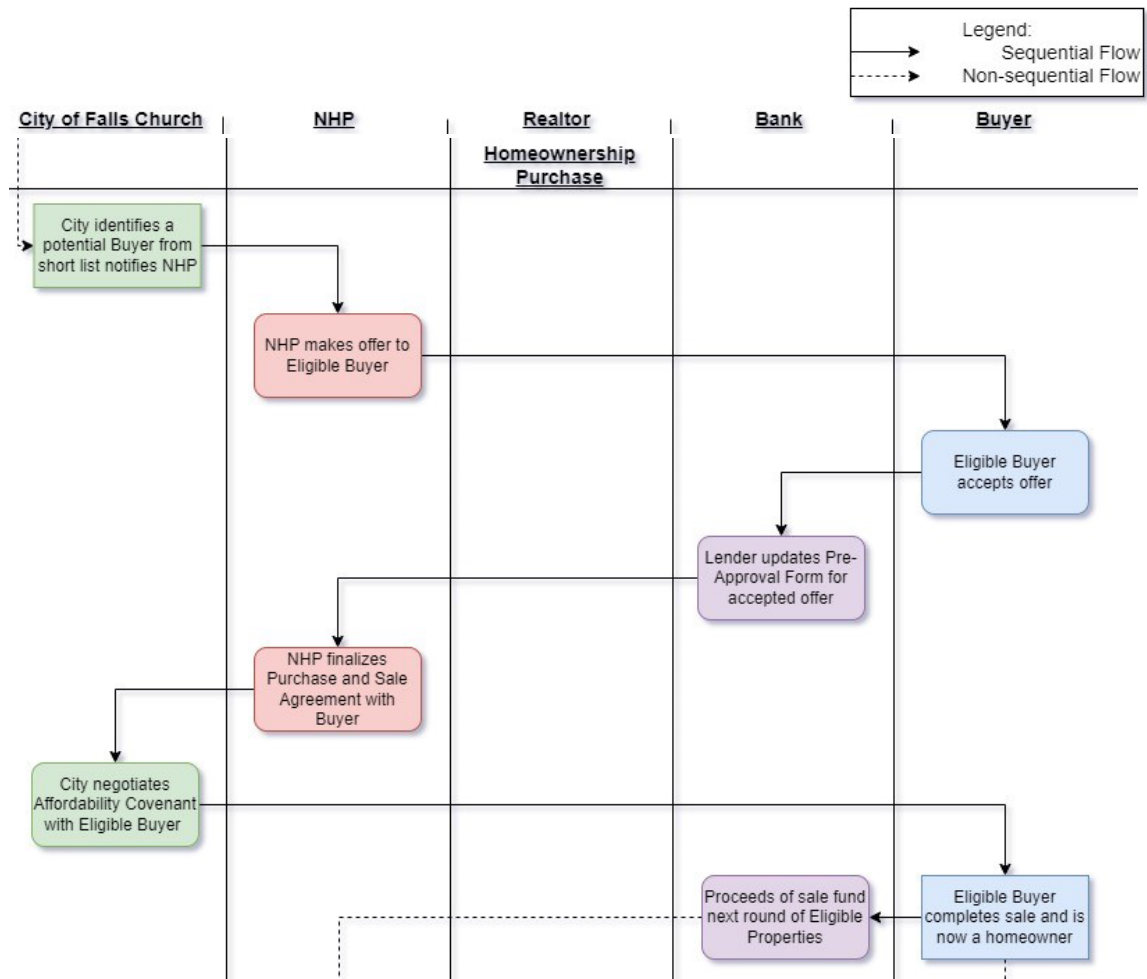
This chart depicts the process by which a property is identified, purchased and, if applicable, renovated to become an Eligible Property.



1. NHPF identifies a suitable property for the program
2. City reviews and approves property for compliance with program requirements
3. NHPF completes 1<sup>st</sup> purchase of eligible property using City-administered REACH funds
4. NHPF reviews property for renovation and, if applicable, submits renovation proposal to City
5. City reviews and approves renovation proposals for compliance with program
6. NHPF manages renovation
7. NHPF informs the City that renovations have been completed and that the property is now eligible for subsidized sale to an Eligible Buyer

## HOMEOWNERSHIP PURCHASE PHASE

This chart shows the process by which NHPF and the City work to match an Eligible Property with an Eligible Buyer.



1. The City refers Eligible Buyers to NHPF
2. NHPF and the Eligible Buyer execute a Purchase and Sale Agreement within five calendar days of the City's referral
3. NHPF coordinates sale with Eligible Buyer
4. Eligible Buyer and lender work together to confirm ability to close
5. The City then coordinates the affordability covenant with the eligible buyer
6. Eligible Buyer provides evidence of completion of VA Housing Homeownership Education Program class

7. Eligible Buyer closes on home within 45 calendar days of executing the Purchase and Sale Agreement

## CHAPTER 3 – APPLICANT ELIGIBILITY

### STEPS FOR APPLICATION

In order to become eligible for AHP, the applicant must complete the following steps:

1. Review program eligibility requirements
2. Fill out a pre-screening form
3. Speak with a lender and submit a Pre-Approval Form to the City
4. Attend a Virginia Housing Homebuyer Education Class and submit the certificate of completion prior to closing

### APPLICANT ELIGIBILITY

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#### HOMEBUYER STATUS

No members of the household can have owned a residential property within the last three years. If an applicant's name is currently or in the past three years was on a deed of a residential property anywhere in the country, then the applicant will not qualify as a first-time homebuyer. Any individual who is divorced and owned a home with his or her spouse or resided in a home owned by the spouse is exempt from the aforementioned first-time homebuyer criteria and is considered to be a first-time homebuyer.

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#### LIQUID ASSET LIMITS

A household cannot have liquid assets that exceed 50% of the sales price of the Eligible Property being purchased.

The applicant must have a minimum of 1% of the sales price documented and available to be used towards closing costs/prepaid items or to be held in reserves (or a combination of the two).

Liquid assets shall be defined as any item of value that can be readily turned into cash. Any liquid accounts that contain the name of any member of the household will be counted as part of household total liquid assets. Retirement accounts recognized by the Internal Revenue Service shall be excluded from the definition of liquid assets except; however, any payout from retirement accounts as monthly or lump-sum disbursements will be counted as part of the household income.

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#### INCOME LIMITS

The maximum Income Limits are those set by VA Housing or its successor agency, and are those made available online at the VA Housing website annually following the Board of Commissioners approval. For AHP, the maximum annual gross income for a household of two or fewer people is currently \$162,000 and \$189,000 for a household with three or more people.



More information about these limits can be found on the Virginia Housing website at [Information For Lenders: Income, Sales Prices and Loan Limits](#).

The City will target annual gross incomes between 50% and 120% of AMI [Addendum A: 2023 HUD AMI Table].

The annual gross income is defined by HUD, which is the gross amount (before any deductions have been taken) of income of all adult household members that is anticipated to be received (using a household's expected ability to earn, rather than past earnings) during the coming 12-month period. Sources of income include, but are not limited to the following:

1. Wages and salary (part-time and full time)
2. Child Support
3. Alimony
4. Interest from savings and checking accounts
5. Dividends from stocks, bonds, and interest from certificates of deposit
6. Social Security benefits
7. Veterans Administration benefits
8. Overtime pay
9. Unemployment insurance benefits
10. Bonus payments
11. Pension and retirement payments
12. Long-term disability benefits
13. Any other annuities or stipends received
14. Housing Choice Vouchers

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#### CREDIT LIMITS

The minimum credit score to participate in this program is **620** and applicants must meet eligibility for a VA Housing loan.

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#### PRIORITY CRITERIA

Preference is given to Eligible Buyers based on the following criteria. The applicant or co-applicant must meet the criteria and be able to provide documentation for proof:

- A. Seniors or persons with disabilities who live in **and** work for the City
- B. Seniors or persons with disabilities that live in **and** work in the City
- C. Seniors or persons with disabilities that live in **or** work in the City
- D. Persons who are homeless
- E. People who live in **and** work for the City
- F. People who live in **and** work in the City
- G. People who live in **or** work in the City
- H. Seniors or persons with disabilities who do not live or work for the City
- I. People who do not live in **or** work in the City

See additional information about the Priority Criteria in the Eligible Buyer Waitlist section below.

## PRE-SCREENING APPLICATION

The City recommends that interested applicants fill out a Pre-Screening Application form using the Affordable Homeownership Program Website (<https://fallschurchahp.org/pre-screening/>). Filling out this form will allow HHS to contact applicants to assist with next steps to successfully become Eligible Buyers. If any required sections are left blank, or the application is not filled out correctly, then HHS may not be able to assist on next steps.

When submitting a new application for other HHS programs, including the Affordable Dwelling Unit (ADU) program, applicants can designate that they want to be considered for either or both the AHP and the ADU programs. Households already on the ADU list that want to be considered for participation in AHP must fill out the Pre-Screening Application form using the Affordable Homeownership Program Website linked above.

## LOAN PRE-APPROVAL

All applicants are required to obtain a lender-prepared mortgage Pre-Approval Form for the purchase of an AHP home through an independent bank or lender of their choice. The City does not provide mortgage loans. A loan co-signer who is not a member of the household is not allowed in the program.

Prospective buyers should work with a VA Housing-approved lender to submit a Pre-Approval Form (See Addendum C – Lender Pre-Approval Form). While buyers can work with any lender, we recommend that buyers work with one of the VA Housing-approved lenders who are familiar with AHP: [AHP Website Recommended Lender List](#).

The lender or borrower can submit a lender-prepared Pre-Approval Form to HHS via email ([hhsinfo@fallschurchva.gov](mailto:hhsinfo@fallschurchva.gov)) or in person at Falls Church City Hall, 300 Park Avenue, Room 102W.

Once a lender-prepared Pre-Approval form is received, reviewed, and approved by the City, the applicant will become an Eligible Buyer.

## VA HOUSING HOMEOWNERSHIP EDUCATION PROGRAM

All Eligible Buyers must attend and complete a VA Housing-certified Homeownership Education Program and submit a copy of the certificate of completion to HHS prior to the time of closing. The Homeownership Education program helps first-time homebuyers prepare for and understand the homeownership process. The classes are free and are offered in English and Spanish year-around online, however, some loan programs require in classroom training. Virginia Housing regularly hosts classes that help prepare purchasers to become homeowners. For a list of both in-person and virtual courses click here: <https://www.virginiahousing.com/individuals-families/calendar>.

Eligible Buyers are also advised to meet with a housing counselor (noted below) after completing the homeownership class. For some other assistance programs, like SPARC, meeting with a HUD-certified housing counselor is a requirement. For a list of HUD-approved housing counselors click here: [https://hudgov-answers.force.com/housingcounseling/s/?language=en\\_US](https://hudgov-answers.force.com/housingcounseling/s/?language=en_US)

## WAITLIST

The City will maintain a list of interested homebuyers. The AHP waitlist keeps track of interested applicants, eligibility status, and potential subsidy determination. NHPF may, but is not required to, refer potential buyers to the City for eligibility screening and placement on the waiting list.

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## PRIORITY RANK

AHP ranks preference initially by priority (described above), then on a first come, first served basis. For example: *A person in priority A will have an opportunity to refuse the unit before someone in priority B, even if priority B has been an Eligible Buyer for longer period.* However, in cases where Eligible Buyers of the same priority are being considered, then whoever became the Eligible Buyer first will have the first opportunity to purchase.

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## HOUSEHOLD SIZE

The applicant must indicate on the Pre-Screening Form all the persons who will be residing in the household. Applicants must have a household size that is appropriate for an AHP Eligible Property. Occupancy standards are as follows:

Unit Size	1 Bedroom	2 Bedrooms	3 Bedrooms
Minimum # of Persons	1	2	3
Maximum # of Persons	2	4	6

If an individual is listed as a member of the household on the application but is not currently living with the applicant, then the individual must sign a notarized statement certifying residency. This also applies to an applicant and a co-applicant that do not live together at the time of application. If the individual is a child, the guardian of the child must sign a notarized statement indicating that the child will be a resident of the household. Children in this program include:

- Unborn children of pregnant women
- Children in the process of being adopted by an adult family member
- Children whose custody is being obtained by an adult family member
- Foster children who will reside in the unit
- Children who are temporarily in a foster home who will return to the family
- Children in joint custody arrangements who are present in the household 50% or more of the time

A copy of photo identification for each member of the household must be provided on request. Acceptable forms of photo identification include a state-issued driver's license, identification card from the DMV, or U.S. Passport. For children under 18 years old who do not have an ID card, a birth certificate will be sufficient proof of identification.

## CHAPTER 4 – PROPERTY ACQUISITION

The City will work with NHPF to identify Eligible Properties that are compliant with program requirements. Single-family detached, semi-detached, townhouse, and condominium units (but not cooperatives) are eligible for purchase and resale under AHP.

### REHAB WORK

In addition to providing affordable homeownership, the AHP allows for up to \$20,000 in grant funds to be dedicated to rehab work that will be completed before an Eligible Buyer closes on their home. NHPF will assess the need for rehabilitation and repair of any Eligible Property. In developing a rehab budget for and performing work on a home, NHPF will prioritize any necessary repairs in the following order:

- Building code violations or health and safety issues at Eligible Properties.
- Environmental hazards that are uncovered will be remediated, including mold, asbestos, radon and lead-based paint.
- Above or below ground storage tanks that once stored heating materials will be removed and the heating system replaced with a forced-air gas powered system or electric heat pump.
- Renovation of existing units will be done with energy efficiency improvements in mind to reduce utility costs of the homeowners as well as to provide environmental benefits. These improvements can include:
  - Replacing appliances with Energy Star equivalents
  - Adding low-flow water fixtures including aerators, low flow toilets and faucets
  - Repairing all plumbing leaks; changing all lightbulbs to LED
  - Insulating all hot water heaters
  - Air sealing cracks and gaps in the façade and around windows and adding insulation to accessible areas of the attic and/or basement

## CHAPTER 5 – HOMEOWNERSHIP PURCHASE

### AHP OFFER

As Eligible Properties are acquired and become available, AHP administrators will contact Eligible Buyers to give them the offer to purchase homes at a designated subsidy level. Offers will be made based on household size and priority rank as described in more detail above.

The size of the subsidy will be based on the City's determination.

Each buyer will receive information from AHP administrators regarding the purchase process for the AHP. AHP administrators will contact an Eligible Buyer with an offer for an Eligible Property that includes subsidized purchase price and time for closing. After being contacted by AHP Administrators, the applicant will have **48 hours** to decide to move forward with the property. If the applicant wishes to move forward with the property, the AHP Administrator will coordinate a time to go over the terms of the program in detail during an offer briefing. After receiving this briefing, the applicant will have five calendar days to execute a Sales Contract.

During the offer briefing, AHP administrators will review the following topics:

- Subsidized Purchase Price: The size of the subsidy will be determined based on AMI that accounts for household size and income.
- VA Housing Assistance: All VA Housing products that may be used, including, but not limited to SPARC, VA Housing Down Payment Assistance Grant, Closing Cost Assistance Grant, and Plus Second Mortgage may be available for eligible first-time homebuyers obtaining a VA Housing first mortgage loan. AHP Administrators cannot provide guidance on what assistance to use and will only provide resources to review additional assistance options.
- Potential for additional program assistance: Eligible Buyers may use additional resources outside of Virginia Housing including programs offered by the Virginia Department of Housing and Community Development (DHCD) which may include but is not limited to the Homeownership Down Payment and Closing Cost Assistance Program and the Virginia Individual Development Accounts (VIDA) Program. AHP Administrators cannot provide guidance on what programs to use and will only provide resources to review additional assistance options.
- Unit Info: Price, floor plan, pictures, and fees (e.g., condominium or homeowner association fees).
- Repairs and Improvements: Any work done during the initial control period is discussed including any energy efficiency measures noted.
- Purchase Process: Steps and timeline from the signing of the sales contract to the settlement date.
- Restrictive Deed: The regulations of the AHP property, which will be recorded with the Deed of the unit.
- Walkthrough: An opportunity for Eligible Buyer to assess the unit.

Once an Eligible Buyer has entered into a Sales Contract, the Eligible Buyer will have 45 calendar days to close on the purchase of the Eligible Property. AHP Administrators have discretion to provide Eligible Buyers with more than 45 calendar days to close if additional time is needed. The Sales Contract will be prepared by NHPF.

Prior to signing the Sales Contract, the Lender Pre-Approval Form must be updated by the Eligible Buyer's lender, to account for the property's HOA fees and other specific costs. If the Eligible Buyer is not able to submit an updated Pre-Approval Form, then they forfeit their right to purchase the Eligible Property. They will receive a written statement from HHS to confirm their withdrawal.

If the Eligible Buyer decides not to purchase the property, they have to submit a written statement of withdrawal. Their name will be returned to the Eligible Buyer list.

#### AFFORDABILITY COVENANT

All properties purchased through the AHP will be subject to a Declaration of Affordability Covenants With Use, Refinance, And Resale Restrictions And Purchase Option (Affordability Covenant, linked here: <https://fallschurchahp.org/wp-content/uploads/2023/02/DeclarationAffordabilityCovenants.pdf>) that an Eligible Buyer must enter into with the City where resale is restricted to Eligible Buyers at prices correlated with a restricted annual appreciation. Additionally, upon resale of the Eligible Property, the City will receive repayment of its original subsidy amount and 25% of net proceeds (the homeowner will receive the balance, 75%) [Addendum B – Affordability Covenant Abstract].

## ELIGIBLE PROPERTY CLOSING

To proceed with closing on a home, an Eligible Buyer will need the following:

- Purchase and Sale Agreement executed by the Eligible Buyer and NHPF
- VA Housing Homebuyer Education Certificate of Completion
- Affordability Covenant signed and dated by all parties
- Funds to close

If an Eligible Buyer is unable to close on the applicable Eligible Property within 45 calendar days of executing a Sales Contract, NHPF may elect to either:

1. Allow the Eligible Buyer an additional reasonable period of time to close.
2. Request that the City refer another Eligible Buyer from its waiting list.

## BROKER FEES

Since Eligible Buyers will be referred by the City, it is not anticipated that they will engage real estate agents or brokers. Eligible Buyers who do engage such agents will be responsible for the resulting broker's commissions, if any.

## CHAPTER 6 – POST-CLOSING AND RESALE

After the closing date on the Eligible Property, the Eligible Buyer will become the new owner of the property. The homeowner bears all responsibility to maintain the property and undertake any necessary repairs. Homeowners are fully responsible for the utilities, property taxes, and homeowner or condo association fees.

## ENFORCEMENT

Once the property is purchased, the City will no longer be concerned about the income and asset eligibility requirements of applicant/homeowner. The property restrictions [Addendum B – Affordability Covenant Abstract] must be adhered to by the homeowner throughout the period that they own the property under AHP parameters.

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## OCCUPANCY AFFIDAVIT

The City will mail out an Annual Occupancy Affidavit on June 1 of each year that each homeowner must sign, have notarized, and submit to HHS by the required time. The Annual Occupancy Affidavit will affirm that the homeowner occupied the Eligible Property as their primary residence and in compliance with the Affordability Covenant. If homeowners do not submit the occupancy affidavit by the deadline, there is a \$50 late fee for each day the affidavit is late up to \$3,000. The homeowners must pay the late fee or the City may place a lien on the property and this can lead to a foreclosure.

The Occupancy Affidavit is a legal proclamation; therefore, giving or providing a false affidavit is a civil offense and can be taken to court. If there is evidence that suggests that the Occupancy Affidavit is false

and the ADU homeowner is not complying with the property restrictions, the City will launch an investigation. The City reserves the right to conduct annual inspections. When there is sufficient evidence to prove that homeowners are in violation of the Affordability Covenant, the City will issue a notice of violation. The Homeowners will be given an opportunity to correct the violation and comply with the Affordability Covenant. Failure to comply will result in a mandatory hearing for resale. At the hearing, the homeowners will be offered the opportunity to sell their home voluntarily or the City will pursue a court order of foreclosure for the violation of the Affordability Covenant.

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#### ENFORCEMENT OF AFFORDABILITY COVENANT

Homeowner obligations under the Affordability Covenant are secured by a subordinate deed of trust in favor of the City. Upon an event of default of the Affordability Covenant, the city can intervene either monetarily or non-monetarily on behalf of the homeowner in the following ways:

- Exercise its purchase option
- Foreclose its deed of trust
- Exercise other equitable or legal rights and remedies

### CHAPTER 7 – HHS DETERMINATION PROCESS

#### TERMINATION

The City of Falls Church may deny admission to the AHP or terminate participants from the AHP for causes including, but not limited to, the following:

- Failure to provide required reports and documentation within the established time frame
- Applicants submitted intentionally false documents and statements in previous applications with the City

Termination from the program means that the applicant is forbidden and will not be allowed to reapply for the program. If the City decides to deny admission or terminate a participant, the City shall promptly notify the participant of this decision in writing and will send information on requesting an appeal of the decision.

#### APPEAL PROCESS

Persons that disagree with the application process, ranking or other decisions made by staff, may request in writing an informal hearing with the Director of HHS. The written request must be submitted to HHS within 5 business days. All appeals will be addressed within 15 business days of receiving the written request for the informal hearing. At the informal hearing, the client may submit documentation to support his or her appeal. After the hearing, the Director will review the client's case and provide a written decision. The decision of the Director is final; there are no other appeals.



## AMENDMENTS

HHS reserves the right to amend these operating procedures at any time. HHS also has the discretion to address circumstances not mentioned in these documents.



The City of Falls Church is committed to the letter and spirit of the Americans with Disabilities Act. This document will be made available in alternate format upon request. Call 703-248-5005, (TTY 711).

### POLICY OF NON-DISCRIMINATION ON THE BASIS OF DISABILITY

The City of Falls Church does not discriminate on the basis of disability in its employment practices or in the admission to, access to, or operations of its services, programs, or activities. Cindy Mester, 300 Park Avenue, Falls Church, Virginia 22046 has been designated to coordinate compliance with the ADA non-discrimination requirement.

## ADDENDUM LIST

- A. 2023 HUD AMI Table
- B. Affordability Covenant Abstract
- C. Lender Pre-Approval Form
- D. AHP Subsidy

ATTACHMENT A – 2023 HUD AMI TABLE

2023 HUD Median Income Limits by Household Size								
Household Size	1	2	3	4	5	6	7	8
50% of AMI	\$53,235	\$60,840	\$68,445	\$76,050	\$82,134	\$88,218	\$94,302	\$100,386
60% of AMI	\$63,882	\$73,008	\$82,134	\$91,260	\$98,561	\$105,862	\$113,162	\$120,463
70% of AMI	\$74,529	\$85,176	\$95,823	\$106,470	\$114,988	\$123,505	\$132,023	\$140,540
80% of AMI	\$85,176	\$97,344	\$109,512	\$121,680	\$131,414	\$141,149	\$150,883	\$160,618
90% of AMI	\$95,823	\$109,512	\$123,201	\$136,890	\$147,841	\$158,792	\$169,744	\$180,695
100% of AMI	\$106,470	\$121,680	\$136,890	\$152,100	\$164,268	\$176,436	\$188,604	\$200,772
110% of AMI	\$117,117	\$133,848	\$150,579	\$167,310	\$180,695	\$194,080	\$207,464	\$220,849
120% of AMI	\$127,764	\$146,016	\$164,268	\$182,520	\$197,122	\$211,723	\$226,325	\$240,926

## ADDENDUM B – AFFORDABILITY COVENANT

### ABSTRACT

The below is a summary of terms and conditions in the DECLARATION OF AFFORDABILITY COVENANTS WITH USE, REFINANCE, AND RESALE RESTRICTIONS AND PURCHASE OPTION (Affordability Covenant). This abstract does not represent all conditions of the Affordability Covenant should not be considered a comprehensive list. The entirety of the Affordability Covenant can be viewed on the Affordable Homeownership Program website:

<https://fallschurchahp.org/wp-content/uploads/2023/02/DeclarationAffordabilityCovenants.pdf>

### *Property Restrictions*

This section provides a summary of the Declaration of Affordability Covenants with Use, Refinance, and Resale Restrictions and Purchase Option (the “Covenant”) that an eligible homebuyer (“Homeowner”) must enter in favor of the City of Falls Church (the “City”) when the Homeowner purchases a property (the “Property”) through the City of Fall Church’s Affordable Homeownership Program.

### *Term*

The term of the Covenant is 99 years, unless terminated earlier in a foreclosure event. At the end of the term, the then-Homeowner can either (i) record a new 99-year covenant, or (ii) pay the City the Excess Proceeds (described below) that would be payable if the Property were resold at its then fair market value (see Section 1.04(b)).

### *Permitted Use*

The Property must be used at all times as the Homeowner’s principal residence (see Section 2.01).

### *City Monitoring*

The City has the right to require annual meetings with the Homeowner to review compliance documentation (see Section 3.01) and inspect the Property annually (see Section 3.02). The City has the right to approve significant capital improvements (see Article V), refinancing, (see Section 7.01), and transfers (see Article VIII). The City must approval all liens, encumbrances, and security interests (see Article VII).

### *Re-Sale of Property*

In order to sell the Property (see Section 8.04):

- The Homeowner must give the City 45 days advance notice of intent to market the Property for sale.
- The City will order an appraisal within 10 days.
- The City has the option to purchase the Property.
- The City will refer Eligible Buyers.
- If the Homeowner is unable to sell the Property to an Eligible Buyer within six months, the Homeowner may sell the Property to an ineligible buyer, subject to the restrictions set forth in the Covenant.
- Certain transfers to heirs and relatives are permitted (see Sections 8.02 and 8.03).

### *Maximum Resale Price*

The Property may be sold for no more than the maximum price for a First-Time Homebuyer as determined by Virginia Housing (see Section 8.06).

### *Sale Proceeds*

100% of all net sale proceeds (after payment of superior liens and closing costs) are payable to the City until the City has been reimbursed for its original Subsidy Value (defined below). Thereafter net proceeds are payable 75% to the Homeowner and 25% to the City (see Section 8.07(c)).

### *Subsidy Value*

The “Subsidy Value” is the Initial Market Value (i.e., appraised fair market value of the Property, assuming no affordability restrictions, at the time of the Homeowner’s purchase) less the Base Price (i.e., reduced price paid by the Homeowner for the Property) (see Section 1.06(p)).

### *Excess Proceeds*

Any “Excess Proceeds” are payable to the City. Excess Proceeds means any net proceeds of a transfer, refinancing, condemnation, or casualty that are in excess of the amount that would have been received if the Property had been sold for the Maximum Resale Price (see Section 1.03).

### *City Option to Purchase*

The City has the option to purchase the Property upon receipt of a notice of intent to sell, notice of a foreclosure action, or upon an event of default. The Purchase Price is the Maximum Resale Price, or in the case of a foreclosure, the greater of the Maximum Resale Price or the total amount owed to the Permitted Mortgagee. The City has 60 days to exercise this option, then 90 days to close (see Section 8.05).

### *Enforcement and Remedies*

The Homeowner’s obligations under the Covenant are secured by a subordinate deed of trust in favor of the City (see Section 1.06(o)). Upon an event of default, the City may (a) exercise its purchase option, (b) foreclose its deed of trust, or (c) exercise other equitable or legal rights and remedies (see Section 9.04).

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## SCENARIOS

The following are hypothetical scenarios that are being proposed to assist with understanding of the program. Nothing in these scenarios constitutes a promise, commitment or guarantee by the Program Manager to sell or purchase the Property or that upon resale the Homeowner shall actually receive the Maximum Resale Price for the Property or any other price for the Property.

### *Purchase Scenario*

As an example, a family of 3 with a combined gross income of \$116,356.50 wishes to participate in the program. A family at that size and gross income would be classified at 85% of AMI. After contacting a Lender and obtaining and submitting a Pre-Approval form, the family are now considered eligible buyers for the AHP.

AHP Administrators have an eligible property with a market value of \$400,000. The family with an AMI of 85% is eligible for a subsidy of \$100,000. The AHP Administrators reach out to the eligible buyers and make an offer of house with a marked-down purchase price of \$300,000. The family accepts the offer and signs the Sales Contract.

### *Resale Scenario*

After 5 years of homeownership of an AHP property purchased at \$500,000, a homeowner is ready to sell the property. The homeowner notifies the Program Manager of their intent to sell. The Program Manager obtains an appraisal for the value of the property. Because the property is of fair and marketable value, save only for the affordability restriction, the

Program Manager waives their right to purchase property and permits resale to an eligible buyer. After six months of referring buyers to homeowner, no buyer is ready, willing and able to purchase. The marketable value of the property has appreciated to \$700,000, however, per the Covenant, the Maximum Resale Price is \$665,000 based on VA Housing standards. The property is then sold for \$665,000 for an ineligible buyer. The proceeds would be split as follows:

- The City would receive its initial subsidy back (hypothetically, \$100,000)
- The Lender would receive full payment of the outstanding loan (\$450,000)
- Any subordinate liens would be paid (\$0)
- The homeowner would capture any amounts paid via mortgage and down payment (\$50,000)
- The homeowner would receive 75%(\$48,750) of the proceeds, and the City would receive 25% (\$16,250)



City of Falls Church, Virginia

**LENDER CONDITIONAL PRE-APPROVAL LETTER**  
 CITY OF FALLS CHURCH AFFORDABLE HOMEOWNERSHIP PROGRAM (CFCACP)

----- THIS FORM IS TO BE COMPLETED BY LENDER AND SIGNED BY APPLICANTS -----

**HOUSEHOLD MEMBERS**

*Credit Score MUST be provided for all Members on Deed and/or Loan and Spouses of those Members:*

MEMBER NAME	MEMBER PHYSICAL ADDRESS (NO P.O. BOX NUMBERS)	ON LOAN	ON DEED	MIDDLE CREDIT SCORE
		<input type="checkbox"/>	<input type="checkbox"/>	
		<input type="checkbox"/>	<input type="checkbox"/>	
		<input type="checkbox"/>	<input type="checkbox"/>	
		<input type="checkbox"/>	<input type="checkbox"/>	
		<input type="checkbox"/>	<input type="checkbox"/>	

**CREDIT HISTORY**

*Check if any of the following reported on Credit Report for Member listed above:*

CHECK IF YES	ISSUE	MEMBER NAME
<input type="checkbox"/>	Homeownership within 3 years	
<input type="checkbox"/>	Foreclosure within 5 years	
<input type="checkbox"/>	Bankruptcy Discharge within 2 Years	
<input type="checkbox"/>	Late Payments within 6 months	
<input type="checkbox"/>	Outstanding Collections &/OR Judgements	

**INCOME ON WHICH QUALIFICATION AND RATIOS ARE BASED:**

NAME	INCOME SOURCE	GROSS ANNUAL
		\$
		\$
		\$
		\$
<b>TOTAL GROSS ANNUAL FAMILY INCOME (ALL SOURCES):</b>		\$

**ASSETS**

*Including but not limited to: Savings, Checking, CDs, IRA, Stocks, Bonds  
 (Reserves equal to one month's expenses required after accounting for down payment and closing costs.)*

<b>Total Financial Accounts:</b>	\$	<b>Down Payment:</b>	\$
<b>Total Cash on Hand:</b>	\$	<b>Closing Costs:</b>	\$
<b>Total Monetary Gifts:</b>	\$	<b>Reserves:</b>	\$
<b>Total Grants:</b>	\$	<b>ASSETS REQUIRED TO PURCHASE:</b>	\$
<b>Other (Describe):</b>	\$		
<b>TOTAL VERIFIED ASSETS:</b>	\$		

**FIRST- TIME HOMEBUYER PROGRAM**

Type of Loan:  Conventional  FHA  VA

**INTEREST RATE:** \_\_\_\_\_ **TERM:** \_\_\_\_\_

**LOAN AMOUNT:** \$ \_\_\_\_\_

**FTHB ESTIMATED MONTHLY HOUSING COST**

Principal & Interest: \$ \_\_\_\_\_  
 Taxes: \$ \_\_\_\_\_  
 Hazard Insurance: \$ \_\_\_\_\_  
 MIP/PMI: \$ \_\_\_\_\_  
 HOA/Condo: \$ \_\_\_\_\_  
**Estimated Monthly Housing Cost:** \$ \_\_\_\_\_

**DEBT-to-INCOME RATIOS**

First-Time Homebuyers Program ratios cannot exceed 35% / 45%

**Front Ratio:** \_\_\_\_\_%  
 Estimated Monthly Housing Cost ÷ Family Monthly Gross Income

**Back Ratio:** \_\_\_\_\_%  
 (Estimated Monthly Housing Cost + other Monthly Debt) ÷ Family Monthly Gross Income

**MAXIMUM PURCHASE PRICE \$** \_\_\_\_\_  
 \*Please qualify applicants at the maximum ratios of **35% / 45%**

**COMMENTS/COMPESATING FACTORS:**

<b>LENDER</b>	<b>THIS CONDITIONAL APPROVAL LETTER IS CONSIDERED TRUE, COMPLETE &amp; CORRECT UNTIL</b> _____	
	I understand that this form is being used primarily by the purchaser(s)/borrower(s) as documentation for application to the CFCAHP. <span style="float: right;"><b>DATE</b></span>	
	<b>COMPLETED BY (NAME):</b> _____	<b>DATE COMPLETED:</b> _____
	<b>LENDER'S SIGNATURE:</b> _____	<b>LENDING INSTITUTION:</b> _____
	<b>PHONE NUMBER:</b> _____	<b>EMAIL:</b> _____

I/we hereby certify under penalty of law that all of the information provided on this application form is true, complete, and correct. I understand that I am required to report any changes in household composition, income, or assets annually and at the time of home purchase. I also understand that any person who attempts to obtain housing assistance by making false statements, by impersonation, by failure to disclose or intentionally concealing information, or any act of assistance to such attempt is a crime punishable under federal and state law and may result in determination of ineligibility for the City of Falls Church Affordable Homeownership Program. I acknowledge that a false declaration is grounds for disqualification from the Homeownership Program and from the opportunity to purchase a First-Time Homebuyer property. By signing this form, I agree to the release of my/our financial information as may be necessary to verify eligibility to participate in a homeownership opportunity and agree to the exchange of this information between the City of Falls Church Department of Housing and Human Services and your selected lender.

**ALL APPLICANTS WHO WILL BE ON DEED/LOAN AND APPLICANT SPOUSES MUST SIGN**

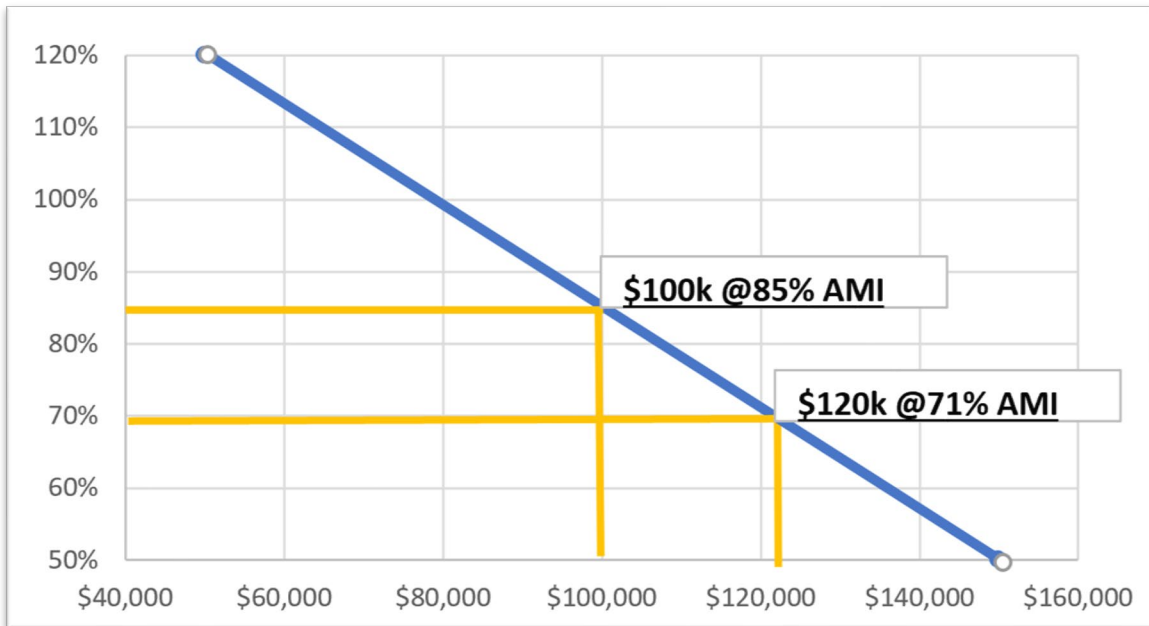
_____ BORROWER PRINT NAME	_____ SIGNATURE	_____ DATE
_____ CO-APPLICANT PRINT NAME	_____ SIGNATURE	_____ DATE
_____ CO-APPLICANT PRINT NAME	_____ SIGNATURE	_____ DATE
_____ CO-APPLICANT PRINT NAME	_____ SIGNATURE	_____ DATE



## ADDENDUM D – AHP SUBSIDY

The AHP Subsidy is a true grant in that so long as an Eligible Buyer remains the owner of the property and contingent to the conditions set forth in the Covenant, the subsidy does not have to be repaid.

The subsidy is sized between \$50,000 and \$150,000. The amount is determined by exact AMI level between 50% and 120%. The closer to 50% the eligible buyer is, the higher subsidy determination will be.



Additionally, there will be a restriction on subsidy offers made to Eligible Buyers where the yearly calculated housing cost (including HOA or condo fees, taxes, and insurance) is greater than 40% of the gross annual income.