



RICH Program

NACA's Revitalization Initiative of Communities through Homeownership ("RICH")

NACA's Revitalization Initiative of Communities through Homeownership ("RICH") Program provides unprecedented opportunities for city residents to purchase the residential buildings and lots owned by the city and affiliated entities. The RICH Program will revitalize communities throughout the city while also increasing the tax base allowing more resources for additional services to these communities and neighborhoods. This program provides unprecedented opportunities for residents who should have access to the riches of homeownership but have historically been systematically blocked and denied such opportunities. The process and the requirements for the participants are described below.

RICH Program Requirements:

- City shall place all residential properties, and lots owned by the city, its land bank, and its subsidiaries into the RICH Program for at least one year.
- All properties and lots would be sold for one dollar to qualified buyers.
- RICH Program properties must be sold only to owner-occupants.
- Purchasers must have a family income at or below the median income for the MSA or be a city employee.
- Must live in the property for at least ten years (i.e. city deed restricted)
 - Within the first ten years, must sell to a buyer that meets the RICH Program criteria, and
 - Homeowner equity is granted at the end of the sixth year and limited at 20% for each year of occupancy after the first five years of occupancy.
- Eligible for all housing and mortgage grants available through the city.

RICH Program Steps:

1. Resident - participates in comprehensive housing counseling and determine whether she/he meets the residency requirements.
2. Qualified Resident - completed the housing counseling and is ready for homeownership with a documented affordable mortgage payment.
3. Selected Resident – Purchase & Sales Contract executed and working through the mortgage process.

4. Owner Resident - closed on their mortgage with available funds for renovations (i.e. Rehab Escrow) or for new construction. A contractor/builder selected by the Owner Resident and their counseling agency would complete the renovations or new construction.
5. RICH Resident – received certificate of occupancy and moved into their beautiful new home!

Properties & Lots:

All residential properties up to four units and lots owned by the city, land bank or its subsidiaries would be made available only to Qualified Residents through this RICH Program. Prior to being put on the list of available properties in the RICH Program, a property must be inspected with an estimate of the renovation cost. The city or its subcontractor shall maintain a public list of the available properties in the RICH Program. Each property listing will include the property inspection and estimated renovation cost.

Eligibility:

The term “Eligible Resident” describes a resident of a geographic area who meets the following requirements.

- A. Has had no ownership interest in another property within the past three years at time of closing;
- B. have established city residency for:
 - a. Period of three continuous years prior to the enactment of this bill; or
 - b. Resided in the city for at least five continuous years before moving out.
- C. Have a household income at or below the area median income or a city employee for at least the past three years.
- D. Priority given to Eligible Residents in the following order:
 1. Lives in the same neighborhood where purchasing for at least the last twelve months.
 2. Eligible recipients of Housing Choice Voucher living in the city
 3. City employee for at least the past three years
 4. A household income at or below 80 percent of area median income.
 5. Has continuously lived in the city ten or more years.
 6. Have resided in a designated Impact Investment Neighborhood as defined by the Neighborhood Impact Investment Fund (NIFF) for a period of five continuous years.
 7. Lived in the city for at least five years but moved out due to a foreclosure, short sale, or deed in lieu of foreclosure.

Step 1: Resident Counseling (Eligible Resident):

Residents cannot apply for a property in the RICH Program without first receiving free comprehensive housing counseling to be ready for homeownership and establish a maximum affordable mortgage payment. Once the Resident in counseling has met the below requirements, she/he becomes a Qualified Resident.

- Attend a homebuyers Workshop
- Counseled by a HUD approved counseling agency

- Determine eligibility for the RICH Program. If not eligible, they would continue to receive counseling to purchase other properties.
- Qualify for a mortgage by addressing the following:
 - Determine readiness for homeownership based on their payment history and not their credit score. Housing Counselor must access their tri-merge credit report to determine their payment history that she/he controls (i.e. exclude unaffordable medical bills). Their credit score is not to be utilized since this disproportionately negatively impacts lower income and minority residents. The Housing Counselor needs to use their individual circumstances (i.e. Character-Based Lending) and not the traditional Risk-based Lending based on their credit score, loan-to-value and debt-ratios).
 - Determine a resident's affordable mortgage payment based on the following: current income, outstanding monthly debts, current rental payment and/ or documented savings. If requesting a mortgage payment greater than their current rent, they need to have been saving the difference between their current affordable rent and their future mortgage payment (i.e. Payment Shock).
 - Documented minimum required funds necessary to close on their affordable mortgage loan.
 - Resident receives budget counseling to access and improve their financial management.
 - Provide full documentation to support their mortgage qualification with the following:
 - Employment Income:
 - Paystubs – 30 days
 - W-2s – recent two years
 - Self-Employed Income:
 - 12 months bank statements identifying business income and business expenses
 - Other Documented Income – Alimony, SSI, Disability
 - Two years of Tax Returns – if required to file
 - Bank Statements – recent three months for all accounts
 - Credit Card Statements – most recent
 - Resident attends a workshop on property renovation and participates in on-going education on this process.
 - Pre-qualification or approval for a fixed rate fully amortizing mortgage.
 - Pre-qualification must include sufficient funds to renovate a property or purchase a new construction.
 - Resident buying a multi-unit property completes landlord training
 - Counseling agency must be able to transmit resident data to city through its Client Management System (“CMS”).

Step 2: Purchasing Properties (Qualified Resident):

A Qualified Resident can put a Purchase & Sale offer on an available property in the RICH Program. The Qualified Resident must obtain a mortgage on the below terms and once closed becomes a Resident Owner.

- Fixed rate, fully amortizing mortgage with escrow account for taxes and insurance.
- Mortgage amount that covers the cost of the renovation or the financing for new construction (i.e. Rehab Escrow).
- Final inspection to verify the renovated property meets the rehab specs and code requirements.
- No required mortgage payment during the renovation period (i.e. Qualified Resident would not be able to afford to pay rent and a mortgage payment while the property is being renovated or under construction).
- The accepted offer by the Qualified Resident is contingent on the following:
 - Obtaining mortgage financing within 90 days
 - Beginning renovations within 90 days of closing on the property
 - Completing the renovation within one year of closing on the mortgage

Step 3: Support with Renovations or New Construction (Owner Resident):

HUD approved counseling agency provides support for the Owner Resident during their renovation or new construction. This includes the following:

- Complete the renovation scope of work
- Management a large number of on-going rehabs and new construction
- Identify contractors. Focus on hiring and training people in the neighborhood and city to work on the properties
- Assist with contractor negotiations
- Assist with overseeing contractor work
- Review change orders
- Provide inspections for contractor disbursements
- Request contractor disbursements.
- Final inspection and obtaining Certificate of Occupancy.

Step 4: Post Purchase Assistance (RICH Resident):

HUD approved counseling agency provides on-going support for the RICH Resident once they move into their home. This includes the following:

- Budget Counseling
- Assistance with the property
- Counseling if difficulty in making their mortgage payment
- Provide financial assistance option if unable to make their mortgage payment
- Coordinate meeting and activities with other community residents
- Referrals to other resources
- Additional support as needed