Path to Home Ownership:
A Guide to Single-Family Lease Purchase Projects
Funded with 9% Tax Credits

Updated: 4/7/15
MISSION

CHN’s mission is to build strong families and vibrant neighborhoods through quality affordable housing and strengthened financial stability.

PROGRAMS

Each year, CHN assists 30,000 families in affordable housing & home ownership programs, safety net & support services, energy conservation & weatherization, and counseling & education.

REAL ESTATE DEVELOPMENT & PROPERTY MANAGEMENT

CHN has developed over 5,000 homes, including 4,000 scattered-site, single-family homes—an accomplishment that distinguishes CHN as one of the most experienced nonprofit, single-family affordable housing developers in the nation. Today, CHN manages 1,800 single-family and multifamily units.

FINANCIALS

$59 million operating and Real Estate Development Capital Budgets

40% Real Estate Development Projects
42% Programs (includes 5% administrative costs)
18% Lease Purchase Operating Partnership

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“CHN has been a national leader in strengthening neighborhoods through affordable housing. Their hallmarks are addressing challenges through creativity, working collaboratively and an abiding commitment to our city.”

Frank Jackson
Mayor, City of Cleveland
ABOUT THIS MANUAL

The Cleveland Housing Network (CHN) created this guide in partnership with Enterprise Community Partners to assist organizations who use the Low Income Housing Tax Credit (LIHTC) to develop affordable housing for low-income families. Specifically, the manual focuses on comprehensively ensuring the success of single-family lease purchase projects throughout the 15-year rental phase, as well as in Year 16—the year in which families can purchase their homes.

This manual describes how to use the LIHTC as a home ownership tool for low-income families; how to develop and execute the program to sustain a financially viable housing program for the developer; and how to achieve successful outcomes for families when the home reaches 15 years under the tax credit. Specifically, the manual discusses critical considerations that must be addressed early on in order for the program to be successful for the families as well as for the developer and owner. However, the manual only refers to the early stages of development and startup as it relates to long-term success. For those interested in the startup aspect or more details on the Y16 process, visit www.chnnet.com or contact Assistant Director Kate Monter Durban at kmonter@chnnet.com or 216.574.7100.

ACKNOWLEDGEMENTS

CHN would like to thank Enterprise Community Partners and JPMorgan Chase for making the production of this manual possible.

For more than 30 years, Enterprise has created opportunities for low- and moderate-income people through affordable housing in diverse, thriving communities. Their role is to introduce and facilitate solutions through public-private partnerships with a shared vision that one day, every person will have an affordable home in a vibrant community, filled with promise and the opportunity for a good life. Since 1982, Enterprise has raised and invested nearly $16 billion in equity, grants and loans to help build or preserve nearly 320,000 affordable rental and for-sale homes to create vital communities and more than half a million jobs nationwide.

JPMorgan Chase works with community partners to create pathways to opportunity by supporting workforce development, financial capability, small business development, community development and affordable housing, and employee engagement and volunteerism. In the United States, JPMorgan Chase invests in affordable housing opportunities that connect low- and-moderate-income people to economic opportunity, supporting models that focus on reducing the cost of housing, improving the quality and safety of homes, preparing families for the costs and responsibilities of homeownership, and helping communities thrive.

CHN would also like to extend our gratitude to Jennifer Hill, a freelance writer and editor with extensive experience in LIHTC.
ABOUT THE AUTHORS

The Cleveland Housing Network (CHN) is the nation’s largest single-family non-profit affordable housing developer using the LIHTC. Organized to address the lack of quality, affordable housing in Cleveland, CHN was one of the first in the nation in 1987 to link the LIHTC with home ownership opportunities for low-income families. Since 1981 when CHN was formed, the organization has developed over 5,000 single- and multifamily homes—nearly half as single-family LIHTC. CHN has helped 2,300 low-income families to achieve the American dream through numerous innovative home ownership programs they have created.

Today, CHN serves 30,000 low-income families each year in affordable housing and home ownership, energy conservation and weatherization, counseling and education, and safety nets and supports. CHN partners with numerous public and private partners to administer a wide array of these programs including utility assistance, foreclosure prevention, EITC tax preparation, weatherization and electrical conservation.

Robert “Rob” Curry has led the organization as executive director since 1998. He began his career in community development in Maryland and Chicago as a community organizer before moving to Cleveland in 1980. Prior to CHN, Rob served as program director of the Cleveland LISC office and also served as founding executive director of Slavic Village Development, a community development corporation (CDC) which is one of Cleveland’s premier CDCs. At CHN, Rob provides strategic direction and oversight for a staff of 170, a combined annual operating and capital budget ranging from $40-70 million, and a real estate portfolio that includes 35 partnerships. Rob holds a Master of Business Administration from Case Western Reserve University’s Weatherhead School of Management, and a Bachelor of Arts in Peace Studies from Manchester University.

Kate Monter Durban joined CHN in 1990 and serves as assistant director. She oversees communications and public relations, fund raising, public policy, and CHN’s community resources programming. Kate received a Bachelor of Arts in Business Administration from Ohio State University. In 1981 she began her work in community development as a community organizer in the Slavic Village neighborhood of Cleveland. She currently serves on the boards of the national Housing Partnership Network, Ohio’s Coalition on Homelessness and Housing, and the City of Cleveland’s Housing Advisory Board.
“CHN is really the national model for this [lease purchase]. Other organizations have the capacity, but not to the extent—in terms of volume and refinement—that CHN has achieved.”

-Tom Eastman, Vice President of Syndication
Enterprise Community Investment
The Low Income Housing Tax Credit (LIHTC) is a federal program passed into legislation in 1986 to increase the supply of affordable housing. The LIHTC program is the primary vehicle for the production of affordable housing in the state of Ohio and the nation. Since 1987, Ohio has used the program to facilitate the development of over 100,000 affordable rental housing units.

Federal housing tax credits are awarded to developers through a competitive process at the state level, typically through housing finance agencies. The amount of housing tax credits allocated to the developer is based on the total cost of development (project basis). Developers then sell these credits to investors to raise capital (equity), which together with other sources of financing is used for the acquisition and construction of affordable housing projects. This private investment reduces the debt that the developer would otherwise have to borrow, resulting in affordable rents for low-income households. The investors become part owners of the project, usually as a 99.99% limited partner.

LIHTC syndicators typically bring the developer and investors together. The entity that purchases the housing tax credit receives the credit for 10 years and can subtract the amount of the housing tax credit on a dollar-for-dollar basis from federal income tax liability. The owner of a LIHTC-financed development must maintain income and rent restrictions for 15 years in order to ensure the receipt of these tax credits. The state allocating agency, investor and developer monitor project compliance, resulting in a foreclosure rate of less than 0.1%, as reported by a recent study by Novogradac & Company LLP.

LIHTC-financed lease purchase can be extremely successful if designed correctly. A strong focus on project financials, property management, resident preparation and innovative financing has helped CHN to sustain its successful model.
LIHTC: A 15- or 30-year Restriction?
CHN uses the LIHTC as a 15-year pathway to home ownership for low-income families. A question often asked is, “How can you sell the house after 15 years when the tax code calls for 30 years of affordable rental?” The IRS code appears to be contradictory, calling for a 30-year rental period, but allowing sale after 15 years in another section.

Revenue Ruling 95-49 answers this question, allowing extended use restrictions to be terminated when a tenant purchases a single-family home in Year 16 (when combined with a specific agreement with a state housing agency). IRC Section 42(i)(7) also establishes the minimum purchase price that a nonprofit may pay for the property (all remaining debt plus exit taxes), which in turn informs the resident’s purchase price.

Ohio Housing Finance Agency (OHFA) has a written policy for amending restrictive covenants as well as releasing restrictive covenants in certain situations. This policy contains specific guidelines for lease purchase projects designed to streamline the process for these projects.

Public Policy Considerations
Some units of local government strive to recover all public resources invested in (lent to) LIHTC projects. Other units of local government allow their resources to remain in a project long-term as long as there is clear public benefit. CHN, the City of Cleveland and OHFA have an agreement that IF lease purchase families take title to their homes, the public sector investment in those homes can be assumed by the families as a 0% deferred loan. In addition, if the public sector investment is large, a portion of this debt is forgiven when the family takes title in order to right-size the family’s deferred public sector debt. However, if a LIHTC home is sold to an investor, both the city and state expect full recovery of their initial investment in the home at the time of this investor sale.

Note to Readers:
The term “lease purchase” is used throughout this guide. However, throughout the 15-year LIHTC compliance period, the legal relationship between a resident and CHN is strictly “landlord-tenant.” Only in Year 16 does a resident have an opportunity to enter into a purchase agreement for the home. In other words, a family has no equity interest in the home unless they decide to purchase in Year 16. As such, when the reader sees the term “lease purchase,” this should be understood as a lease assumed by the tenant during the LIHTC compliance period, followed by an opportunity for the tenant to purchase the home at a price they can afford.
CHN has developed over 2,300 single-family properties using the LIHTC

Areas of concentration
City of Cleveland

“No other program has used the Low Income Housing Tax Credit more effectively to promote homeownership for poor families.”

-Nicolas Retsinas, Executive Director, Joint Center for Housing Studies, Harvard University
99% of CHN’s lease purchase buyers sustain home ownership for five years.

(CHN tracks families for 5 years after they purchase their homes to ensure stability.)
In 1987, shortly after the LIHTC was introduced, CHN was one of the first in the nation to link the tax credit with a lease-to-purchase option for low-income families. The program allows families to lease a quality home at an affordable rent, with the opportunity to purchase at the end of the 15-year LIHTC compliance period at a price they can afford.

While most developers use the LIHTC for multifamily buildings—and primarily as a rental housing program—the Cleveland Housing Network has used it mainly for the development of single-family homes and home ownership opportunities for low-income families.

CHN’s Lease Purchase Program is designed to provide affordable housing, asset accumulation and sustainable home ownership for low-income residents.

CHN also uses the program strategically to encourage future development in Cleveland’s neighborhoods and as a neighborhood stabilization tool to transform large numbers of vacant homes and/or lots into community assets.

To ensure the success of the program, both operationally as well as for families, CHN has developed a comprehensive program involving development, property and asset management, home ownership preparation, and non-traditional sales and financing—all focused on supporting families so they can thrive as homeowners long-term.
Today, CHN’s model is successful on all levels. This is due to CHN’s capacity and attention to detail in creating a well-versed sales and lending team; developing a comprehensive home ownership preparation program; and focusing on expert property management, asset management and property maintenance.

The 15-year LIHTC Lease Purchase Program is a long-term investment that requires both patience and careful program design. But at the end of the day, there are few mortgage products that can match the program’s ability to provide both home ownership and significant asset accumulation for low-income families. If structured appropriately, immediately upon purchase lease purchase buyers will have a far stronger equity position in their homes than their typical conventional-sales counterparts.

About our Development
Using a combination of new construction and rehabilitation, CHN develops its homes utilizing 9% LIHTCs. Early projects consisted of over 100 homes but today a project consists of 40-45 homes. Per-project caps on LIHTC awards now mandated by Ohio’s housing finance agency limits the maximum project size. Since 1987, CHN has utilized the LIHTC to develop 35 lease purchase projects representing over 2,300 properties.

CHN utilizes Enterprise Community Partners’ Green Communities© standards to ensure homes are energy efficient, healthy and cost-effective to maintain (See page 16 for more information on our green building). When development is complete, homes are turned over to CHN’s Property Management department for lease-up and 15-year management.

About the Rental Period
The rental period can be viewed as a partnership between the renter and CHN. Lease purchase families are similar to other renters, with a major exception: In addition to paying rent and utility bills, they also agree to undertake basic yard and “loving care” home maintenance under a Contract of Care. In turn, CHN provides property maintenance for larger issues and pays taxes, insurance, water and sewer, as well as all other expenses associated with owning and managing a portfolio of single-family homes.

Not all families remain in their homes for the entire 15-year tax credit period; they move at about the same rates as the national average of approximately 7 years. Typically, one-third of families stay in their homes throughout the entire 15 years.

About our Preparation
Prior to 2014, CHN required lease purchase residents to complete approximately 20 hours of home ownership counseling and education before taking title to their homes.
Since 2014, CHN has adopted a new model that requires deep-touch financial counseling for 5 years prior to becoming homeowners. This new approach is described in detail in Chapter 6.

**About our Sales**

To date, nearly 900 families have become homeowners. While this varies by neighborhood, families typically purchase for about half of market value, giving them significant immediate equity. CHN has designed the program around the “equivalency principle,” a strategy that keeps the family’s home ownership costs at the same level as what they had been paying in monthly rent. The use of this principle greatly increases the chances that families will be able to transition successfully from renting to sustainable home ownership.

With the exception of two projects that reached Year 16 during the onset of the financial crisis, ultimately 85-90% of families in each lease purchase project take title to their homes, although it takes about three years to achieve this.

**CHN’s Lease Purchase Demographics**

Most families in CHN’s program are female heads-of-household with an average family size of 3 and annual incomes equal to or less than 50% of area median income (AMI), or about $25,000 or less.

<table>
<thead>
<tr>
<th>Household Composition</th>
<th>% Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 occupant (typically an empty nester)</td>
<td>5%</td>
</tr>
<tr>
<td>2 occupants</td>
<td>17%</td>
</tr>
<tr>
<td>3 occupants</td>
<td>32%</td>
</tr>
<tr>
<td>4 occupants</td>
<td>23%</td>
</tr>
<tr>
<td>5 occupants</td>
<td>13%</td>
</tr>
<tr>
<td>6 or more occupants</td>
<td>10%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Income Source</th>
<th>% Total</th>
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<tbody>
<tr>
<td>Employment</td>
<td>63%</td>
</tr>
<tr>
<td>SSI</td>
<td>23%</td>
</tr>
<tr>
<td>Child Support, Welfare</td>
<td>4%</td>
</tr>
<tr>
<td>Other</td>
<td>10%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fed. Poverty</th>
<th>% Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 100%</td>
<td>58%</td>
</tr>
<tr>
<td>100 – 150%</td>
<td>21%</td>
</tr>
<tr>
<td>150 – 200%</td>
<td>11%</td>
</tr>
<tr>
<td>Over 200%</td>
<td>10%</td>
</tr>
</tbody>
</table>
Home Ownership Transition Rates by Partnership

When a lease purchase project reaches Year 16, it typically takes 3 years to achieve an 85-90% transition rate. Roughly 50% of families purchase in Year 16, 25-30% in year 17, and 10% in Year 18. The remaining homes are sold later, usually to small, local landlords who agree to maintain the maximum rent guidelines.

Breaking this down even further, the first 1/3 of families typically take title quickly—during the first 6 months of Year 16; the middle 1/3 take title between 6-18 months; and the most challenging families take title between 18-36 months.

The following graph details CHN’s lease purchase projects that have reached Year 16, with details on the status of homes in each partnership. Each segment depicts the number of homes in the project compared to the number that were purchased by the resident and the remaining number that were sold to someone other than the lease purchase family.

![Graph showing lease purchase transitions](image)

*Each segment represents a project, otherwise known as a lease purchase (LP) partnership. As this graph depicts, the newer partnerships (far right) will take three years to achieve 85-90% sales.*
Key to Success: Selling Homes Using the Equivalency Principle

CHN uses the equivalency principle as one of the fundamental elements of its Lease Purchase Program. It helps to ensure success of the program, both operationally and programmatically.

Operationally, it determines early on—even before the project is developed—what the required sales price of the house will be, to ensure both CHN and the family are successful. The definition is simple: To maximize the opportunity for lease purchase families to succeed in their homes, their total monthly housing costs after taking title must be less than or equal to their total monthly housing costs before taking title.

This equivalency principle is critically important to the lease purchase buyer. Low-income families typically have little or no discretionary income to absorb additional housing costs. However, the principle is equally important to the nonprofit owner. If the post-transfer monthly payment is too high, the low-income buyer might decide not to purchase. This leaves the nonprofit with the challenge of owning a portfolio of single-family homes without motivated lease purchase buyers to assist in maintaining these homes.

Throughout this best practices guide, the equivalency principle drives all lease purchase project planning considerations, from predevelopment project financial structuring to creating a residential mortgage product in Year 16 that meets the needs of low-income families striving to purchase their homes.

In structuring financing for a new lease purchase project, CHN follows two principles to maintain the equivalency principle:

1. Minimize bank debt: CHN’s limits each project’s original permanent bank debt to no more than $5,000 per home.

2. Pre-negotiate with public sector lenders that in Year 16 lease purchase families will be able to assume the per-home public sector debt as a 0% deferred-until-resale loan.

Equivalency Principle

CHN’s equivalency principle is a critical factor in ensuring the success of both lease purchase projects and lease purchase families:

“What must the home sell for when it reaches sales eligibility (i.e., Year 16) so that the remaining debt can be covered on the house and the family can purchase at an affordable, sustainable price?”

This principle is a key factor and is the foundation of a successful lease purchase model.
CHN’s Green Communities© Standards for Single-Family Rehabs

Rehabs

- High R-Value Insulation
- Energy Star Appliances & Lighting Fixtures
- Exhaust Fans
- Water Conservation Products
- Air Quality Features
- Photovoltaic-Ready Roof
- High Efficiency Windows
- Low-VOC Paints, Primers, Sealants
- Formaldehyde-Free Composite Wood
- Comprehensive Air Sealing
- Water Conservation Systems erosion control, storm drain labeling
- Walkable Communities
- Native Landscaping certified for site & microclimate
- Carbon Monoxide Detectors hard-wired in sleeping areas
- Air Quality Features using exterior ventilation in kitchen & baths
- Green Label Certified Carpet (non-carpeted entryway)
CHAPTER 2:
MANAGING THE LIFE CYCLE OF A
SINGLE-FAMILY LEASE PURCHASE
LIHTC PROJECT

This chapter focuses on best practices in asset management, including guidelines for how to capitalize on the favorable aspects of lease purchase projects and how to create systems to embrace and minimize less favorable aspects.

CHN self-manages all elements of its lease purchase projects. Most of the skills required to successfully manage multifamily housing are identical to those required for single-family homes. However, there are significant differences. The table on the next page illustrates key benefits and potential challenges of managing single-family lease purchase assets compared to multifamily unit management.
Year 1: Leasing Up & Establishing Expectations

From an asset management perspective, the three most favorable aspects of lease purchase projects are:

1. Single-family homes are the housing of choice for most families, resulting in the potential for low turnover rates.

2. Families assume responsibility for the day-to-day upkeep of their homes, resulting in lower maintenance costs.

3. Families, knowing they can take title in Year 16, take better care of their homes. In addition, there is a clear Y16 disposition path for the project.
The best time to establish resident expectations (e.g., home maintenance responsibilities and the opportunity to take title in Y16) is during the leasing process. Leasing systems, both for Year 1 lease-up as well as unit turns, can be designed to establish these expectations. CHN uses a variety of approaches to establish resident accountability, including:

- **Application Process**
  In addition to normal screening criteria (e.g., income, credit and criminal background checks, landlord references, etc.), CHN chooses to have its property management team conduct home visits to determine housekeeping skills.

- **Mandatory Training**
  CHN requires residents to complete one-on-one counseling and a class (Life as a Lease Purchaser) prior to moving in.

- **Contract of Care**
  The Contract of Care outlines how to address maintenance issues, how to handle maintenance requests and when maintenance work is charged back to resident.

- **Ongoing Communications**
  Discussions about the opportunity to take title in Y16 are paramount to establishing the program as a home ownership model rather than merely a rental model. Communication about desired behaviors (e.g., home maintenance) and expectations (e.g., taking title in Y16) does not end with lease-up. All resident communication throughout the life of a lease purchase project needs to focus on these themes.

See appendix A for samples of the above materials.

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**Lesson Learned**
CHN Behavioral Study

A study conducted on our residents found that positive reinforcements make a significant difference in improving on-time rent. CHN now offers rewards and drawings for consecutive on-time payments (12, 24, and 36 months)—which has the added benefit of improving resident bankability. The study also found that while late fees are somewhat helpful, CHN’s $25 charge was not enough to change rent payment behaviors. The study was a controlled behavioral intervention performed by ideas42 and Corporate for Enterprise Development, through support from Citi Foundation.
Years 1 to 5: Establishing Critical Asset Management Best Practices

A number of lease purchase projects in Ohio are at or near Year 16. Some are doing very well and some are not. Although explanations are varied and nuanced, the most basic predictor of success or failure is the extent to which the owner paid attention and made good asset management decisions throughout the life of the project.

Given the fact that affordable housing project expenses almost always increase at a faster pace than rental income, it is not surprising that projects generate much more cash in Years 1-5 than Years 11-15.

Inexperienced owners can be lulled into complacency in the first five years. They may believe that if the project is cash flowing nicely, there is no reason to fully focus on maximizing rental income and minimizing operating expenses. Unfortunately, it is precisely these projects that run out of cash in Years 11-15. Only those lease purchase projects that rigorously pursue asset management best practices in Years 1-5 have an excellent probability of success in Year 16.

Key Lessons in Asset Management

CHN’s asset management lessons and best practices include:

1. Maximizing Revenues
CHN’s strategies for maximizing revenues and controlling expenses are designed to generate sufficient cash to fuel a robust maintenance and make-ready budget, especially as the project ages (Y11-15).

   • Rent Increases
   Lease purchase projects that implement consistent annual rent increases (designed to match possible expense increases to the greatest extent) perform much better long-term than those that pursue as-needed rent increases.
• **Utility Allowance & Compliance Considerations**
Over the past decade, there have been significant spikes in utility allowances, including natural gas in the mid 2000s and more recently, in some markets, water/sewer allowances. Some projects in Ohio have elected to eliminate rent increases (or even reduce rents) in order to remain in compliance with the project’s Ohio Housing Finance Agency (OHFA) restrictive covenant. Other projects have elected to pursue an amendment to the restrictive covenant to allow for continued reasonable rent increases. Long-term, projects that sought relief from OHFA and continued to implement annual rent increases are doing much better than those that froze or reduced rental income due to utility allowance spikes.

• **Housing Choice Vouchers**
Housing Choice Voucher Programs sometimes pay higher rents than tax credit rents. Voucher holders prefer single-family homes. Given this rent differential, a number of lease purchase projects have pursued voucher holders. These projects are generally doing well financially. However, a smaller percentage of voucher holders take title in Y16 than non-voucher holders. For example, portfolio-wide, 85-90% of all CHN lease purchase families take title, but only 35-50% of CHN’s voucher holders (depending on the specific project) decide to opt out of the voucher program and take title. While there are voucher programs for homeownership, the administrative regulations are quite onerous and typically succeed only where public housing authorities are totally committed.

• **Standard Property Management Principles**
Projects that have the most aggressive rent collection policies and procedures generally have the lowest turnover and eviction rates. Also, those projects that turn vacant units the quickest do best—not only because vacancy losses are minimized, but because the potential for theft/vandalism is reduced.

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**Lesson Learned**

CHN Eviction & Rent Collection

CHN has a small annual set-aside for rent assistance, but guidelines are strict and residents must be interviewed by a CHN counselor to determine eligibility. Without strict guidelines, chances are high that will promote continued bad financial behaviors or abuse of the assistance.

Simply by staying consistent and deliberate with its rent payment & eviction policies, CHN has found that delinquency rates and active evictions will remain minimized.
2. Controlling Expenses

Given the long life of real estate projects, small savings annually for each expense line item have a huge positive impact on the bottom line over 10-15 years. CHN has found best practices to control externally imposed expenses:

- **Insurance**
  Those project owners that shop annually for the best and lowest cost insurance policy significantly impact insurance costs long-term. Coverage for projects consisting of single-family homes does not necessarily need to be as extensive as for multifamily projects because a casualty (e.g., a catastrophic fire) does not impact adjacent units. Some lease purchase projects choose to reject lost rents and/or replacement cost coverage, and instead choose limits of coverage sized to make lenders and equity investors whole, but nothing more.

- **Real Estate Taxes**
  In Ohio, tax abatements, Woda Ivy Glen* valuations and Board of Revisions complaints are powerful tools to control taxes. Whereas multifamily projects generally consist of one or only a few properties, lease purchase projects consist of numerous properties. Successful owners of lease purchase projects create strong systems to carefully and consistently track all property values, intervening whenever necessary.

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*The Ohio Supreme Court has determined that tax appraisals on LIHTC properties must take into account the use restrictions for real estate tax purposes. The decision provides an opportunity for owners of LIHTC properties to review their tax valuation and determine if a complaint against the valuation is appropriate.
• **Utilities**

Some lease purchase projects pay water and sewer bills, and other projects pass these utility expenses on to the resident. For those owners who assume these expenses, successful owners of lease purchase projects create strong systems to track all water and sewer bills on a per-property basis, and intervene whenever necessary. A number of intervention strategies can be utilized:

a) an education campaign to encourage residents to report leaks quickly (especially running toilets);

b) an education campaign to encourage residents to reduce water consumption (often combined with back charges if bills exceed a reasonable standard, usually the local utility allowance);

c) installation of water conservation devices;

d) lease clauses that tie successful ongoing tenancy to reasonable water consumption.

• **Audits and Legal**

Although relatively small expense line items, successful project owners pay attention to getting the best value for these services.

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**Lesson Learned**

**CHN Water Hog Program**

Using a part-time staff person, CHN reached out to its high water users to promote water conservation, scan for water leaks, and encourage reporting of water issues. The program was successful. Even while Cleveland’s water rates increased by 5-10% annually, CHN was able to reduce its lease purchase water costs by 2.65%—representing a $25,500 annual savings.
3. Investing in Maintenance

• Maintenance Costs
   Successful lease purchase project owners invest adequately in maintenance, and make unit-turns and efficient re-leasing a top priority, even when the make-ready is extremely expensive. Needless to say, maintenance and make-ready expenses increase significantly as a project ages. Struggling projects (with low cash balances and reserves) often choose to pare back maintenance services and/or defer expensive make readies. The result of this decision is almost always disastrous and compounding: Less rent is collected, turnover rates increase, and soon there is insufficient cash to pay taxes and/or debt service.

• Make-ready Turn-around
   Given the fact that vacant single-family homes are susceptible to theft and vandalism, particularly in many Ohio communities (and other weak-market areas), quickly completing and re-leasing vacant units needs to be a priority in these markets.

• In-house Crews
   Historically, CHN has used third-party subcontractors to service the maintenance needs of its lease purchase homes. However, with each passing year costs were rising while customer service was declining.

   CHN began experimenting with in-house crews, incrementally testing a small internal maintenance program that included partnerships with local re-entry programs and continuing to hire specialty services (e.g., electricians). The experiment was promising as CHN continued to expand the in-house crew approach. By the end of 2013, 85% of CHN’s maintenance work was completed via in-house crews, significantly reducing its maintenance budget. CHN is now working to bring 100% of lease purchase maintenance work in-house.

   An unexpected impact of this work was the satisfaction rate among our residents. Complaints—typically about slow response time on the part of our vendors—plummeted. Today, with maintenance nearly 100% in-house, resident satisfaction of our home maintenance is at nearly 90%.
4. Funding (and Preserving) Reserves
Lease purchase projects have two major needs for reserves—covering overages in maintenance and make-ready expenditures as a project nears Y16, and right-sizing bank debt in Y16 so that lease purchase families can begin taking title.

Successful lease purchase developers are extremely disciplined about funding all reserves in the early years when projects are cash flowing, and extremely frugal about utilizing reserves, based on the knowledge that these reserves will be most needed in Years 14, 15 and 16. This is a difficult discipline to maintain when an immediate cash flow problem presents itself earlier in the life cycle of a lease purchase project.

5. Investing in Asset Management Training
Asset management involves a unique skill set and mindset that for inexperienced real estate owners can easily be confused with property management and annual budgeting. Asset management is the responsibility of an owner to understand the life cycle of a project and its goals for Year 16 and beyond, make strategic decisions throughout this life cycle, and to carefully track trends and intervene as necessary to achieve the project’s long-term goals.

For owners of small portfolios, it requires significant intentionality to create and sustain a culture of asset management. Successful owners know that a small but ongoing investment in asset management training reaps huge rewards in terms of the long term financial stability of their real estate projects.

Lesson Learned
By bringing lease purchase maintenance staff in-house, instead of using subcontractors, CHN significantly reduced maintenance costs while increasing resident satisfaction to nearly 90%.

When a resident reports a maintenance issue, CHN assigns a priority level on the work order: Priority 1 must be completed within 24 hours, Priority 2 in 48 hours, and Priority 3 has a goal of 21 days (typically extensive repairs that require contractors).
CHN Key Property Management Indicators

Consistent and aggressive rent collection policies keeps CHN’s eviction rates low.

CHN also sets annual goals to help keep vacancy and delinquency rates down.
CHN watches trends over time and compares data to the same quarter in previous years.
“I got more than just a house [from CHN]. Soon, I’m going to be a college graduate and a homeowner.”
CHAPTER 3:
PLANNING FOR Y16 - MINIMUM SALE PRICE & BUYER FINANCING ANALYSIS

This chapter provides details about the iterative process of planning for Year 16, with the all-important goal of honoring the equivalency principle, in which a lease purchase family’s total monthly housing costs after they take title are less than or equal to their total monthly housing costs before they take title.

Ideally, Y16 planning for a lease purchase project should have been a key consideration during the pre-development phase of a project. Let’s assume this is not the case. The following are some basic concepts related to Year 16 planning. This analysis must be completed before or during Year 14 so that implementation of the plan can occur in Year 15.
Basic Concepts Related to Year 16 Planning

1. Sale Price Components
In order to break even (in the aggregate) on the sale of lease purchase properties, the following sale price components need to be taken into consideration.

• Bank Debt
The remaining per-home bank debt for a project in Year 16 is easy to quantify. However, calculating (and negotiating) a per-home mortgage release price is more nuanced. For example, if the bank wants to be fully repaid after 50% of the homes have sold, the per-home mortgage release price will be double the per-home bank debt.

There is a “silver lining” to banks utilizing a conservative approach to calculating the mortgage release price. Assuming a uniform sale price for all homes, once the bank debt is fully repaid, all net sale proceeds from subsequent lease purchase sales will fully benefit the project and project sponsor.

• Secondary Debt (typically public sector debt)
This often includes significant interest accruals and deferrals. Although secondary debt in Year 16 is usually significantly less than the appraised value of the home, this debt and accrued interest can destroy a lease purchase program if not properly structured. When structuring a lease purchase project during the predevelopment phase, several approaches can be followed in order to minimize the negative impact of secondary debt.

1. Request public financing in the form of grants rather than loans. Grants to the nonprofit are then loaned to the partnership.

2. If grant funds are not available, the nonprofit can borrow the funds at a 0% rate of interest to avoid interest accruals. The nonprofit can then loan the funds to the partnership at AFR (Applicable Federal Rate), if required by the tax attorney.

3. Negotiate up front with the public sector lender to determine what will happen in Year 16. Ideally, a lease purchase buyer will assume a pro rata share of the debt in the form of a 0% note and mortgage (deferred until resale) in favor of the city or state.
For projects that were not able to originally structure public sector debt in the context of what will happen in Year 16, it is important to assess the current debt structure of all public sector lenders and establish goals for amending each agreement to allow lease purchase families to assume the public sector debt (0%, deferred until resale). Goals also can be set for the forgiveness of all accrued interest and perhaps a reduction in principal.

Once an agreement is reached with public sector lenders, the project sponsor can accurately quantify the amount of hard secondary debt remaining on the property in Year 16.

- **Capital Improvement Debt**
  It might be necessary or desired for the partnership to make significant capital improvements to the property. Typically, CHN sells all homes as-is. However, if the project owner decides capital improvements are necessary or desired, these costs must be included in calculating the sale price. To the extent that sale proceeds are utilized to complete capital improvements, the amount of funds available to pay off the project’s bank debt will be reduced by a like amount.

- **Exit Taxes**
  The Right of First Refusal grants the nonprofit sponsor a right to purchase the project from the partnership at a price equal to the sum of all remaining debt plus exit taxes. Exit taxes are the taxes the partners pay on their gains. As a rule, if a limited partner’s capital account does not go negative, and if there are no net sales proceeds, then there will be no exit taxes.

  After Year 10 (after all tax credits have been used), the preferred approach for keeping limited partner capital accounts from going negative is to allocate all losses to the general partner once the limited partner’s capital account reaches zero. It is okay for the general partner’s capital account to go negative because the general partner does not utilize the annual tax benefits, so these benefits can be carried forward to cover capital gains (minimum gain) tax liabilities in Y16.

  There are few viable approaches to eliminate exit taxes when a limited partner’s capital account goes negative before Year 11. However, this is unlikely to occur in the current tax credit market conditions, in which investors are paying 90 cents or more on the tax credit dollar, compared to 50 cents when the LIHTC program was first enacted.
• **Closing Costs and Government-imposed Costs**
  There are numerous costs associated with the Year 16 lease purchase transaction including 1) seller closing costs when the home is sold to the lease purchase buyer; 2) buyer closing costs (if the seller commits to paying these costs, possibly including the cost of a homeowners insurance policy); and 3) government-imposed costs such as code violations generated by point-of-sale inspections, etc.

• **Contingency for the Unknown**
  When creating early projections concerning target Y16 sale prices (i.e. during the development phase or in Years 1-5), CHN adds a $3,000 contingency to hedge against the unknown.

**Common Mistakes:**

The most common mistake in packaging the financing of a lease purchase tax credit partnership is to over-leverage the project, thereby making the homes unaffordable for families to purchase in Year 16. The most common mistake when calculating the minimum Y16 sale price is not anticipating that the per-home mortgage release price might be twice the actual per-home bank debt outstanding in Year 16.

**Key Distinction #1: Actual Sale Price vs. Buyer Affordability**

The above sale price components help establish a minimum sale price. If a project sponsor is sensitive about bolstering neighborhood property values, a seller-financed third mortgage (0% deferred until resale) can be added to bolster the sale price. However, the trade off is that 1) lease purchase families will have less home equity, and 2) it is likely that fewer lease purchase families will decide to purchase their homes. CHN does NOT add a third mortgage to bolster neighborhood property values.

Buyer affordability, NOT sale price, is the key to a successful lease purchase program. For example, a home that is sold for $25,000 with $15,000 of soft debt (0% deferred until resale) is more affordable than a home that is sold for $15,000 with no soft debt.
In summary, the size of first mortgage that a buyer needs to bring to the closing table is much more important than the actual sale price. The other determinant of buyer affordability is the amortization schedule of this first mortgage.

**Key Distinction #2: First Mortgage Amortization Schedule and the Need for an Alternative (Non-Bank) Residential Mortgage Product**

Buyer affordability is very much driven not only by the amount of cash (first mortgage loan) that a buyer needs to bring to the closing table, but by the amortization schedule of the first mortgage loan.

As discussed previously, in order to maximize the opportunity for lease purchase families to succeed in their homes, their total monthly housing costs after taking title must be less than or equal to their total monthly housing costs before taking title. Total housing costs before taking title is typically rent + tenant-paid utilities + minor maintenance expenditures. Total housing costs after taking title include debt service + all utilities + taxes + insurance + all maintenance. Depending on the local costs of taxes, insurance and water/sewer, the equivalency principle might mean that a family who is consistently paying rent of $500/month can only afford debt service of $250/month. For Cleveland residents where AMI for a family of four is $37,560, spending $500/month on housing costs is significant.

Prior to the financial crisis, most lease purchase households could obtain CRA-motivated bank loans. Currently, with banks’ conservative underwriting criteria, few lease purchase families can qualify for bank financing.

In the aftermath of the financial crisis, successful lease purchase projects are now offering lease purchase families non-bank financing (i.e., seller financing or a CDFI-like loan product). In Cleveland, families can access 5-year, 6.5% financing. Using the equivalency principle and the above $250 debt service example, this $250/month payment can service a loan of $12,800. Using the same $250 example but assuming the family can access a 30-year, 4% bank loan, this $250/month payment could service a bank loan of $52,000.

### 2014 Cleveland Area Median Income

<table>
<thead>
<tr>
<th>Size of Household</th>
<th>Per Year 60% AMI</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$26,340</td>
</tr>
<tr>
<td>2</td>
<td>$30,060</td>
</tr>
<tr>
<td>3</td>
<td>$33,840</td>
</tr>
<tr>
<td>4</td>
<td>$37,560</td>
</tr>
<tr>
<td>5</td>
<td>$40,620</td>
</tr>
</tbody>
</table>
Planning for Y16 - Minimum Sale Price and Buyer Financing Analysis

Steps to be Taken in Year 14

In Year 14 or sooner, a thorough analysis needs to be conducted that will result in a draft roadmap of steps that need to be taken as Y16 approaches. This needs to be completed, at the latest, early in Year 15. A lease purchase project owner needs to:

1. Gather, and have a full understanding of information and Y16 sale scenarios:
   a. Year 16 dates - Often lease purchase homes are placed in service and first claim tax credits over a two-year period. Review each property’s 8609s, and more important the first year tax return (Form 8609-A) to determine the year that each house reaches Y16.
   b. Loan terms - Review all loan documents and related information to determine what happens in Y16 as well as projected outstanding loan balances.
   c. Restrictive covenants - Review all restrictive covenants including those from the housing finance agency, state loans and grants, local loans (e.g., HOME), and others.
   d. Partnership agreement - Determine what the limited partner is expecting in Y16.
   e. Reserves - Prepare projections of Y16 reserve balances.
   f. Property issues - Gather information about property issues. Are there any platting issues? Are there any title issues, flooding, or environmental issues?

2. Create a spreadsheet of sale scenarios. Key inputs to determine minimum sale prices include:
   a. all remaining debt, on a per-home basis;
   b. projected mortgage release prices;
   c. transaction costs and exit taxes (if any);
   d. the application of project reserves.
3. Look at the transaction from the buyer’s perspective:

a. Determine what public sector debt can be assumed by a buyer, and the terms.

b. Project buyer closing costs (and associated costs such as insurance).

c. Based on the sale price and the above factors, determine how much cash the buyer must bring to the closing table (the buyer’s first mortgage amount).

d. Assuming most buyers are not bankable, use the equivalency principle (maximum monthly debt service payment) to determine ideally what type of non-bank mortgage loan instrument needs to be created (amortization schedule, interest rate, etc.).

e. Play around with assumptions and create alternative scenarios including a strong emphasis on cash savings plans to empower residents to take title with significantly less debt.

This analysis will result in a draft roadmap of steps that need to be taken as Y16 approaches.

IMPORTANT NOTE:

The three-step analysis described here MUST be completed by the end of Y14 or early in Y15 in order to give a project’s asset manager adequate time to unwind a lease purchase project in anticipation of families taking title starting in January of Y16. For best practices, it should be completed much earlier in a project’s life cycle, and updated periodically. Using this analysis, CHN is able to declare a maximum sale price, when asked by residents, any time during a project’s life cycle.
CHN’s homes are typically priced at $19,750. However, through various financing tools, many CHN buyers may need to only finance $10,000 or less. These financing tools currently include:

- City of Cleveland’s $8,000 (0% deferred) second mortgage financing (the pre-negotiated assumption of a pro rata share of project debt);
- Down payment and closing cost assistance (up to $3,000), funded through competitive applications to the housing finance agency;
- Individual Development Accounts (up to $5,000 total)

Bankable CHN buyers access standard residential loan products to purchase their homes. Non-bankable buyers with strong rent payment histories and adequate income can utilize CHN seller financing. CHN seller financed loans have an interest rate of 0%. The term of these fully amortized loans is determined through the equivalency principle and typically is no more than 4 years (48 months).

CHN capitalized its $2 million loan fund through a combination of public and private sources, including a $330,000 loan loss reserve grant.

A typical CHN sales scenario is outlined on the next page. In this example, the resident’s current rent is $575. After the family takes title, their monthly housing costs go down slightly to $556. After 4 years, the CHN seller financed loan is fully repaid, and the family’s go-forward monthly housing costs are $275.

**NOTE:** Lease purchase buyers typically purchase their homes from CHN rather than the limited partnership formed to develop and manage the homes. This is achieved through a Right of First Refusal document in which CHN assumes all debt and exit taxes in exchange for title to all homes (a cash-free transaction).

For samples of documents used with clients during the Y16 sales process, see Appendix C.
### Sample Equivalence Principle Formulation

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
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<tbody>
<tr>
<td>Purchase Price:</td>
<td>$ 29,750.00</td>
</tr>
<tr>
<td>Residency Credit:</td>
<td>$ 10,000.00</td>
</tr>
<tr>
<td>1,000/yr., up to 10 years of residency*</td>
<td></td>
</tr>
<tr>
<td><strong>Adjusted Purchase Price:</strong></td>
<td>$ 19,750.00</td>
</tr>
<tr>
<td>Estimate Closing Cost:</td>
<td>$ 1,750.00</td>
</tr>
<tr>
<td>(includes insurance policy)</td>
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</tr>
<tr>
<td><strong>Total Cost to Purchase:</strong></td>
<td>$ 21,500.00</td>
</tr>
<tr>
<td></td>
<td>(adjusted price plus closing cost)</td>
</tr>
<tr>
<td>City Deferred Loan</td>
<td>$ 8,000.00</td>
</tr>
<tr>
<td>0% deferred until resale</td>
<td></td>
</tr>
<tr>
<td>Down Payment Assistance</td>
<td>TBD if eligible</td>
</tr>
<tr>
<td>CASH Down Payment</td>
<td>TBD if saved by buyer</td>
</tr>
<tr>
<td><strong>Amount Financed:</strong></td>
<td>$ 13,500.00</td>
</tr>
<tr>
<td>(total cost minus loans minus down payment)</td>
<td></td>
</tr>
<tr>
<td>Term:</td>
<td>48 (number of monthly payments)</td>
</tr>
<tr>
<td>Interest:</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Payment:</strong></td>
<td>$ 281.25</td>
</tr>
<tr>
<td></td>
<td>Fully repaid in four years</td>
</tr>
<tr>
<td><strong>OTHER HOUSING EXPENSES:</strong></td>
<td></td>
</tr>
<tr>
<td>Property Taxes:</td>
<td>$ 70.00</td>
</tr>
<tr>
<td>(estimated monthly payment to county treasurer)</td>
<td></td>
</tr>
<tr>
<td>Homeowners Insurance:</td>
<td>$ 75.00</td>
</tr>
<tr>
<td>(estimated monthly payment to insurance company)</td>
<td></td>
</tr>
<tr>
<td>Water &amp; Sewer:</td>
<td>$ 80.00</td>
</tr>
<tr>
<td>(estimated monthly payment based on household size)</td>
<td></td>
</tr>
<tr>
<td>Gas &amp; Electricity</td>
<td>No change (already paid by resident)</td>
</tr>
<tr>
<td>Add'l Maintenance Expenses:</td>
<td>$ 50.00</td>
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<tr>
<td><strong>Total New Housing Expenses:</strong></td>
<td>$ 275.00</td>
</tr>
<tr>
<td><strong>Total After Purchase</strong></td>
<td>$ 556.25</td>
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<tr>
<td><strong>Current Rental Payment:</strong></td>
<td>$ 575.00</td>
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<tr>
<td><strong>Monthly Savings - Yr 1-4</strong></td>
<td>$18.75</td>
</tr>
<tr>
<td>Includes seller financed debt service</td>
<td></td>
</tr>
<tr>
<td><strong>Monthly Savings - Yr 5 forward</strong></td>
<td>$300.00</td>
</tr>
<tr>
<td>Home owned free &amp; clear, except $8,000</td>
<td></td>
</tr>
<tr>
<td>deferred-until-resale 0% city loan</td>
<td></td>
</tr>
</tbody>
</table>

* CHN begins with a typical purchase price of $29,750 then, to encourage long-term tenancy, offers $1,000 off for every year a resident is in their home, up to a maximum of $10,000.
"I love my house, my neighbors and the neighborhood. It’s all I’ve ever wanted."
CHAPTER 4: LEASE PURCHASE BUYER HOME OWNERSHIP PREPARATION (YEARS 11-15)

Not all families are equally motivated or prepared to take title to their homes. There is generally a correlation between motivation and preparedness. However, some families can be highly motivated but a poor credit risk, and vice versa. The goal of training programs and other communication channels is to “move the needle” for each family, meeting them where they are and increasing both their motivation and preparedness to take title.
In terms of resident motivation, desire and preparedness, CHN’s own experience is one of thirds. In terms of desire to take title, 1/3 of families want to take title immediately (as soon as the project reaches Y16); 1/3 want to take title but are too overwhelmed by other parts of their lives to focus on purchasing; and 1/3 simply do not want to take title. In terms of family readiness, 1/3 generally understand what home ownership involves; 1/3 are teachable; and 1/3, although teachable, are habitual late rent payers, and will not qualify for a loan unless habits are changed.

Key Lessons in Home Ownership Preparation
Key lessons that CHN has learned to help prepare residents to take title at Year 16 include:

1. **Attitude/Motivation:**

   Several factors affect attitude and motivation to buy. Foremost is fear of rejection (not qualifying), fear of credit issues, and fear of responsibility for home maintenance. Boosting confidence and addressing fears is a key component of CHN’s preparation counseling.

2. **Education & Counseling:**

   Processes need to be in place to require home ownership classes and counseling. At CHN, residents cannot purchase until, and unless, these requirements are met.
CHN uses a number of different tools to improve the success of lease purchase families taking title: a) one-on-one interactions with property managers; b) mandatory counseling and education; c) IDA savings programs (Individual Development Account); d) credit-building programs; e) resident newsletter articles that feature successful lease purchase homeowners. In addition to homeownership classes and financial counseling classes CHN has found the following to be critical to home ownership preparation:

• **Credit**
  Many families recognize credit as an issue, even if they are eager to purchase. CHN has certified housing counselors that help them understand their credit report, address derogatory credit, build credit where there is none, and enroll residents in special credit-building programs.

• **Affordability**
  The equivalency principle is important. Total monthly housing costs should not exceed the current rent payment. However, depending on income and debt, affordability can still be a challenge. Our counselors work with families on savings, including Individual Development Accounts (IDA’s), to help minimize the amount to be financed, making payments more affordable.

• **Digital Inclusion**
  CHN has found that providing training and affordable computers and Internet access for residents can improve their ability to participate in classes and counseling. Providing online rent payment options help some of our residents pay more consistently. Digital inclusion can also open doors to education, employment and increased used of online products.

• **Savings & Banking**
  The bankability of families in the aftermath of the past financial crisis environment has continued to be challenging. In addition to stricter underwriting guidelines, many families do not have a relationship with a traditional bank. CHN has found it helpful to partner with a lender early to help residents establish a bank relationship. Bringing the bank on-site to participate in classes increases resident comfort level with the bank. Offer banks the ability to open accounts in the classes. By gradually building a relationship with the bank, the transition to a mortgage is easier for everyone.

• **Accessing the Earned Income Tax Credit**
  CHN offers free EITC tax preparation services and encourages all residents to use these services.
• **Custodial Savings Accounts**  
CHN partners with a local bank to offer custodial accounts to help families save for home ownership.

• **Community Referrals**  
In addition to CHN-administered programs (such as utility assistance), CHN’s social worker provides referrals to other community agencies and public benefits. Our largest referral is for potential child care vouchers and food stamps. Counselors work closely with the local United Way’s 211 (First Call for Help), as they maintain the most comprehensive and up-to-date list of social service agencies in the county.

3. **Timing:**  
Adults have different ways of learning. Further, adults have teachable moments (when they are motivated to learn), but these teachable moments are often few and far between. As such, training opportunities for lease purchase families need to be ongoing, customized and multi-channeled.

Even though many of these tools should be available from Day 1 (when a family applies to live in a lease purchase home), it is especially important to ramp up these efforts starting 2-5 years before taking title.

See Chapter 6 for details on this critically important process.

Recently CHN began a deep-touch, 15-year approach to helping its lease purchase families move up the economic ladder. During Years 1-11, housing counselors conduct an annual financial assessment and connect residents to income supports that help reduce housing costs. From Years 11-15 counselors meet with residents every 6 months to achieve documented financial improvements and prepare them for home ownership. In Year 15, CHN’s sales team works with families on the actual home buying process.
We were staying in a shelter, my young son, daughter and me, when Sister Nancy found us. That was in 1992. I was a battered wife, and I had to get us out of that situation. So there we were, with pretty much nothing.

That beautiful lady [from the shelter], Sister Nancy, walked me over to the people at Cleveland Housing Network. Then things started to get better. Because then I had some hope.

After all the paperwork and everything, they called me so I could choose the house I wanted. Choose! I picked a double, so I could be a landlord, too. The people at CHN coached me through the whole process.

This house is the first thing I’ve ever owned. I still thought it was too good to be true, even after I made it through the fifteen-year lease, but here it is. I love to work on my home and keep it nice, and I love those folks at CHN!

—Beverly
“It gives me a sense of pride to call this home my own. It was a long struggle, but I hung in there and prevailed.”
CHAPTER 5: YEAR 15 AND BEYOND MOVING FROM PLANNING TO IMPLEMENTATION

When CHN’s lease purchase projects reach Year 15, final steps are taken to ensure a successful transition. This includes renegotiating (fine tuning) debt, addressing restrictive covenant considerations, preparing for the exit of the limited partner, non-bank residential mortgage options, and the Y16 sales process.
Step One: Renegotiating (fine tuning) debt, addressing restrictive covenant considerations and preparing for the exit of the Limited Partner

Key considerations are as follows:

• **Debt**
  Often, project debt instruments need to be fine-tuned (amended) in anticipation of Y16. Bank amendments typically focus on defining the per-property mortgage release price as well as a 2-3 year loan extension if the loan was scheduled to balloon in Y16. Public sector amendments typically focus on the terms for lease purchase residents to assume a portion of the debt. On occasion, partial debt forgiveness can also be discussed, especially if there is a large amount of accrued interest.

  Assuming the requests to project lenders are reasonable, the primary challenge is that processing such amendments is often a low priority for a lender, whereas for the borrower reconfiguring debt to accommodate lease purchase sales is a high priority.

• **Restrictive Covenants**
  In general, restrictive covenants are worded to maintain long-term rental affordability, but do not necessarily anticipate lease purchase sales. To the extent that a restrictive covenant precludes Y16 sales, it can generally be amended, or alternatively, there is a regulatory fix. For example, many lease purchase projects have HOME restrictions that mandate that it remain affordable rental property for 20 years. Yet, HOME regulations are clear that rental projects can transition into home ownership projects, and the rental restrictive covenant can be released in exchange for either a re-captureable mortgage or a home ownership deed restriction.

  Section 42 of the Internal Revenue Code (IRC) allows residents to take title to single-family homes in Y16. As such, after a qualified lease purchase resident takes title, the state will release the restrictive covenant.

  Alternatively, in Ohio project owners can request that OHFA release the entire restrictive covenant via the qualified contract approach. If a blanket release is filed, all current residents are protected for three years from a) rent increases in excess of program limits, and b) removal from their home (other than for good cause).
From a state housing finance agency policy perspective, the first approach ensures that the unsold homes remain subject to the 30-year extended use covenants. The second approach is more efficient administratively because only one release needs to be prepared. This release is typically worded as a conditional release that maintains the 3-year protections for current residents.

• **Limited Partner Exit**

LIHTC-motivated investors typically achieve their projected return during the 15-year tax credit compliance period. As such, limited partners often want to exit as quickly as possible in Year 16, once the actual yield is verified and a determination is made concerning the potential for exit taxes. Nonetheless, if investors see upside potential during the disposition period, some aggressively pursue it. Limited partners do not generally view Ohio as a strong market, and as such are more likely to exit Ohio LIHTC project limited partnerships without consideration in Year 16.

Successful lease purchase owners often work with their limited partner(s) in Y15 so that the transfer of this limited partner interest to an entity controlled by the project sponsor can occur on “Day 1” of Y16.

**Step Two: Non-bank residential mortgage options**

The second step is the consideration of non-bank residential mortgage options for lease purchase buyers. A number of lease purchase projects have reached Y16 in Ohio. In the current bank underwriting environment, only 10-15% of lease purchase families are bankable in a typical lease purchase project. In other words, projects that rely solely on bank mortgages to finance lease purchase sales hit a brick wall after the most financially stable families take title.

In order for a large number of lease purchase families to take title in the current banking environment, a non-bank source of buyer financing needs to be developed.

CHN has developed two sources of non-bank financing to address the current banking environment in which many low-income families cannot obtain traditional financing.
To date, two alternative financing models, have been developed in the City of Cleveland:

- **CHN offers Seller Financing**
  A typical loan amount is $10,000, with a 4-year term. As mentioned previously, CHN capitalized this fund with 4 balance sheet loans totaling $1.67 million and a $330,000 loan loss reserve funded by the Ohio Housing Finance Agency’s Housing Investment Fund. Underwriting focuses on rent payment history, debt-to-income ratios, the absence of federal or state tax liens, and employment history.

  From an operations perspective, it was a natural progression for CHN (which self-manages) to expand its rent collection system to include debt service collections. CHN’s Board of Directors’ Finance Committee carefully monitors this fund, and to date it has performed extremely well.

- **Neighborhood Housing Services (NHS) of Greater Cleveland offers 5-year, 6.5% loans**
  This fund was capitalized with a $2.5 million loan from a NeighborWorks lending partner, and is backed by a $250,000 loan loss reserve fund. Underwriting focuses on both rent payment history (24+ months of on-time payments) as well as other factors.

Most regions of Ohio (and the country) have nonprofit lending entities that could consider creating similar residential mortgage products. Also, depending on the underlying project deal points and the strength of the project sponsor, the creation of a seller financing fund is an excellent option for some projects.

**Step Three: The Y16 Sales Process**

Once a non-bank loan fund is created and a project’s underlying financing is restructured to enable Y16 sales to proceed, the process of selling homes to lease purchase families can begin. CHN has found that, to be successful, lease purchase project owners need to create specialized capacity to work with families in Year 16. This specialized Y16 sales capacity is in addition to home ownership education and preparation requirements.

It is critical to have specialized Y16 sales capacity for the home buying process. For smaller organizations or those with small inventories, it may be beneficial to partner with others who have the experience and internal capacity to provide these services. In Cleveland, CHN provides Y16 sales services to several community development corporations.
Of the approximant 125 CHN families who take title each year, an average of 20-25 use CHN’s IDA program and nearly 33% qualify for down payment assistance, helping to drop the amount financed to $10,000 or less.
“CHN helped me clean up my credit, plan a budget and prepared me to own my own home.”
CHAPTER 6: GOING DEEPER TO PREPARE FAMILIES – CHN’S NEW FAMILY SUCCESS INITIATIVE

CHN always has required counseling prior to families taking title. CHN is a HUD-approved housing counseling center following the national standards for housing counseling, as well as a member of the Housing Partnership Network and their Housing Counseling Program. Our full-time certified housing counselors and certified personal financial educators help prepare residents for home ownership.

In 2013 CHN began a deeper engagement process to ensure the financial stability of families. The program, called Family Success, is geared to helping families achieve documented financial improvements, ultimately to help them better access mainstream financial products and create savings for the purchase of their homes.

While finances are a significant focus, one of the major issues that must be addressed is confidence. Moving from renting to owning is a responsibility about which many are apprehensive, and as such, the five-year preparation provides the resident with opportunity to prepare while building the confidence needed to move successfully into home ownership.
How Family Success Works:

The program involves working with lease purchase families who are five years out from purchasing their homes, focusing on decreasing derogatory debt (collections), increasing savings and improving credit scores. A key goal is to help them identify and achieve a purchase plan including access to mainstream financial products and the ability to obtain a conventional loan. There are numerous components to the program including:

• **Year 11 – Enrollment**
  Five years prior to families taking title, CHN’s certified housing counselors begin working with residents to establish an individualized purchase plan, and to prepare them for home ownership. Detailed financial data is collected to assess economic stability and to track changes over time.

• **6-month Counseling Sessions**
  Residents must meet with CHN’s housing counselors at least once every six months. To ensure this requirement, CHN changed its lease renewal process to every six months. When residents come in to renew their leases, counseling sessions are also scheduled. Counselors follow up by phone every month, until the next 6-month (face to face) session. Follow-up financial data is collected every six months. Counseling continues for 5 years until they are transferred to CHN’s sales team.

• **Financial Assessment & Advancement Plan**
  Counselors assess clients, pull credit reports, address pressing issues, develop cash flow statements, map out existing and new budgets, and create customized advancement plans with the client (or crisis resolution plan, if necessary) to achieve short- and long-term goals.

• **Educational Classes**
  Residents are required to complete home ownership classes. CHN classes cover specifics of what the purchase process looks like, what the financing options are, preventive maintenance and working with contractors. Instructors offer scenarios of sample mortgage payments and how taxes and insurance are paid.

• **Custodial Savings Accounts:**
  CHN has partnered with Dollar Bank to offer custodial accounts to help families save for home ownership. Most of our lease purchase families do not save, while those who do save have less than an average $800. Our goal is to help them learn consistent savings.
• **Credit-building Programs**
  Those in need of credit score improvements are enrolled in CHN’s Credit Builder’s Program. The program reports residents’ on-time rent payments to the rent bureau, which in turn can have a dramatic positive effect on improving credit scores.

• **Integrated Resources**
  Participants are enrolled in utility bill assistance and other programs to help lower housing costs. Counselors connect families to any community wrap-around services that might be needed or helpful. Families have an opportunity to meet with an on-site social worker, and can be connected to career and job opportunities through local partnerships.

• **Rent Payment Monitoring**
  CHN uses rent payment monitoring as a critical indicator of financial and housing stability. If a family is late on payments, counselors intervene to ensure they receive any qualifying financial assistance for rent payment or other social services needed to stabilize them.

• **Completing Home Ownership Preparation**
  When residents are one year from purchasing their homes, counselors transfer them to CHN’s sales group. Before being transferred, they have been categorized as a candidate for one of three purchase options: 1) bank financing, 2) cash purchase, 3) CHN 0% financing.

**CHN employs a service integration model to help move families up the economic ladder.**

**CHN partners with a local organization for the workforce development component.**
The Importance of Savings & the EITC:

Given the current challenges of obtaining conventional financing, CHN now places a strategic focus on savings. This focus includes monthly savings, with emphasis on saving $1,000 so that eligible families can access an additional $4,000 in IDA matching funds when they are transferred to CHN’s sales team. Perhaps more importantly, counselors place emphasis on annual savings deposits from Earned Income Tax Credit refunds (for those who qualify). Establishing a habit of saving is critical from a number of perspectives, including the ability to achieve home ownership without debt, or at least to reduce the amount of debt required to purchase.

What is Being Tracked

CHN began enrolling residents in Family Success in 2014. In a 12-month period, 250 families have been enrolled and have met for counseling sessions. Each year, additional lease purchase families are added to the program, while some “graduate” to home ownership.

In addition to a focus on savings, CHN tracks detailed data as a key part of the program which includes:

- Income
- Rent payment history
- Credit score
- Debt information (e.g., all debt, derogatory, open collections, items eliminated)
- Budget items (e.g., savings amount, cash flow)
- Other indicators (e.g., bankability rating)
- Financial products accessed
- Consistent savings (1-12+ months)
- Debt items eliminated
- Debt payment plans
- Income changes
- Bill expense, reductions or eliminations

See Appendix for all counseling documents used.
First Year Results of CHN’s Deep Touch Resident Engagement & Counseling Model

Changes in Financial Indicators
% of Lease Purchase residents who improved after 2 sessions/12 months with avg. change per person

*Based on 116 residents with follow up

- 55% Reduced Derogatory Debt (avg $2,870)
- 20% Increased Savings (avg $539)
- 59% Improved Credit Score or Scored First Time

How the Model is Progressing
% residents making change at 30, 60, 90 days

*Changes are defined as milestone events that include opening a bank account, opening a trade line, eliminating debt, starting a savings plan, reducing expenses.

- 16% changes at 1-30 days
- 12% changes at 31-60 days
- 72% changes at 61-90+ days
Case Study: The Power of Rent Reporting Pilot
A Credit Building Strategy

CHN enrolled 500 of its residents in a successful national pilot to test whether rent reporting to Experian Rent Bureau can improve credit scores. The pilot, led by Credit Builders Alliance, resulted in 79% of participants improving their scores by an average 23 points. The following is the executive summary of this pilot.

Thirty-five percent of U.S. households live in rental housing. That percentage is higher for families at the lower end of the income spectrum. Of those low-income renters who are among the 64 million U.S. consumers with no or subprime credit, many lack access to opportunities to establish or build credit. Although homeowners and renters alike see the impact of failing to meet their housing obligations on their credit reports, most renters’ on-time housing payments are not reflected on their credit reports or in their credit scores — even though, for most renters, it is one of their largest and most consistent monthly payments. Without this recognition of creditworthy behavior on a renter’s credit report, lenders and other businesses develop an incomplete and negatively skewed assessment of the credit risk posed by many otherwise financially responsible low-income households. This can make it difficult, if not impossible, for these struggling households to get and stay ahead in today’s economy.

With generous support from the Citi Foundation and in collaboration with Experian RentBureau and eight pioneering affordable housing providers, Credit Builders Alliance (CBA) has begun to change that reality. Through its Power of Rent Reporting pilot, CBA has spent the last three years catalyzing rent reporting as a credit building opportunity for low-income renters served by the affordable housing industry. In 2012, CBA focused on laying the foundation for rent reporting as a valuable credit building tool, reaching out to hundreds of affordable housing providers and other stakeholders interested in the opportunity. In 2013 and 2014, CBA conducted a pilot to support eight affordable housing providers (AHPs) in becoming credentialed with Experian RentBureau to begin and sustain rental payment reporting on behalf of 1,255 low-income residents. As a result of the pilot, CBA found that:

Rent reporting is seen by renters as a good opportunity for credit building. Ninety-seven percent of residents who responded to a survey on the pilot said paying rent on time is a good way for them to build their credit. Rent reporting offers a significant credit building opportunity to residents living in affordable housing. After isolating the impact of including rental payment history on participants’ credit reports, CBA found:

- All residents participating in the pilot who initially had no credit score had either a high nonprime or prime score with the inclusion of their rental payment history.
- A large majority (79 percent) of participants experienced an increase in credit score, with an average increase of 23 points.
- A small number of pilot participants (14 percent) experienced no change in their credit score after including the rental trade line, and an even smaller number (7 percent) experienced a decrease in credit score.
Rent reporting is a promising strategy for affordable housing providers seeking to increase resident participation and success in financial coaching and asset building programs. Pilot groups consistently reported the integration of rent reporting outreach and education into existing financial coaching and asset building programs as an efficient and effective strategy for engaging residents in credit building and helping them translate credit improvements into progress toward other financial goals.

Rent reporting in combination with financial coaching can incentivize residents to increase their rates of paying rent on time. Among residents of one pilot group with a history of regularly paying late, those who agreed to have their rent payments reported and to participate in financial coaching were more likely than other residents to substantially increase their rate of on-time payment.

Rent reporting is a viable financial capability strategy for affordable housing providers seeking to help their residents achieve financial stability. Bringing it to scale, however, requires more standardized reporting policies and procedures across the credit bureaus, greater technical capacity on the part of affordable housing providers to report payments, and further investigation of solutions for increasing resident participation as a result of the opt-in requirements for federally funded affordable housing providers.

There is much still to be learned and done to ensure that rent reporting becomes more widely understood and accessible to affordable housing providers and their residents. CBA will continue to nurture a growing community of providers to identify impactful, scalable, and replicable strategies that maximize the power of rent reporting and financial coaching to produce tangible, positive outcomes for low-income renters and the organizations that support them.

As the rent reporting opportunity and environment evolves, CBA will continue to serve as a trusted source and critical driver for affordable housing providers seeking to pair rent reporting with relevant, timely and scalable financial education — what we call “rent reporting for credit building”.

Incorporating rent reporting enrollment into a regular resident interaction, such as lease renewal or income recertification, requires residents to actively make a decision about the opportunity and gives them a chance to learn about the benefits and discuss any concerns they may have with a knowledgeable staff person.
CHAPTER 7:
SPECIAL STRATEGIES FOR DISTRESSED PROJECTS

CHN has achieved significant success with its Lease Purchase Program. Early planning, attention to asset management practices, and ability to quickly address changing markets (e.g., the financial crisis) have allowed our program to maintain continued success.

However, some owners of lease purchase projects find themselves in financially difficult situations. There are several signs, or stages, that some owners simply ignore at first. The following are the typical stages of a distressed lease purchase project:

- **Stage 1:** Reserves need to be drawn to meet basic operating expenses
- **Stage 2:** Reserves are depleted, and account payables begin to pile up
- **Stage 3:** More expensive make-readies are deferred (and often, vandalism occurs)
- **Stage 4:** Vacancy losses mount as more units sit vacant
- **Stage 5:** Real estate taxes are not paid
- **Stage 6:** Bank debt service is not paid
- **Stage 7:** A foreclosure action is filed
Once a project enters Stage 2 of this death spiral, without outside intervention and assistance it is only a matter of time before Stage 7 is reached. The only exception to this rule is if the project sponsor (or limited partner) decides to invest its own resources to keep the project afloat. Following are strategies for addressing projects that have reached any of these stages:

- **Transparency**
  Typically, there are four project stakeholders who care deeply about the success of each lease purchase project: the limited partner investor, the bank, the state housing finance agency (in Ohio, OHFA), and the local political structure. However, these stakeholders can only get involved and offer assistance if the project sponsor is fully transparent and clearly communicates the challenges.

- **Timing Issues**
  Stage 1 issues are much easier and cheaper to resolve than Stage 2 issues. Stage 2 issues are much easier and cheaper to resolve than Stage 3 issue, and so forth. The sooner a project sponsor discloses a problem, the greater the probability that the project will be stabilized.

  It is difficult for owners to disclose problems to their valued partners. However, there is a more nuanced reason why project challenges are often not disclosed until Stage 5 or 6—unfounded optimism that the future will get better. For example, Stage 1 reserve draws are often viewed as a one-time event caused by special circumstances. A Stage 3 deferred make-ready is often viewed as “just until next month's rental income comes in.”

- **Partnerships can Solve Problems (that individual outreach efforts cannot)**
  Neither a project’s limited partner, nor its bank, housing finance agency or local government want to see a project fail. However, each of these stakeholders is much more comfortable helping to resolve issues if it has confidence in the project sponsor, if it sees all other project stakeholders at the work-out table, and there is broad-based confidence all partners are deeply engaged.

The sooner a project sponsor declares there is a problem and brings all stakeholders to the table, the greater the likelihood that a quality solution can be found.
Case Study: Cleveland LIHTC Project Stabilization and Preservation Initiative

The Cleveland LIHTC Project Stabilization and Preservation Initiative is a city-wide initiative to financially stabilize or support CDC-owned lease purchase projects. CHN has been instrumental in this Initiative.

In 2011, Cleveland Neighborhood Progress, Inc. (CNP), the City of Cleveland, Cleveland Housing Network (CHN), Enterprise Community Partners (ECP) and LISC’s National Equity Fund (NEF), in partnership with the Ohio Housing Finance Agency (OHFA), launched the “Cleveland LIHTC Project Stabilization and Preservation Initiative.” Given its deep and successful experience in its own portfolio of lease purchase homes, CHN was recruited to share both its expertise as well as its capacity.

The purpose of this initiative was to address any challenges associated with 25 CDC-sponsored projects (882 units) scheduled to reach Year 16 between 2010 and 2015. This portfolio was developed independently from CHN’s portfolio of lease purchase homes. Of special importance was creating viable pathways to home ownership for the 18 lease purchase projects (718 homes).

With the goal of stabilizing and preserving this affordable housing portfolio, major stakeholders in Cleveland’s affordable housing arena came together to identify the challenges facing these projects, and to design and implement solutions. Recognizing that many of Ohio’s maturing LIHTC projects will face significant challenges as they reach Year 16, another goal of this initiative is that the findings may potentially create best practices that could be used statewide.

The Cleveland LIHTC Project Stabilization and Preservation Initiative has stabilized 18 lease purchase projects in Cleveland, provided capacity to smaller affordable housing developers, and created viable pathways to home ownership for the 700+ families in these homes.
To date, this Initiative successfully raised over $10 million for the project and has successfully convinced banks to sell the project notes at reduced rates.

Grant funds were allocated in summer 2012, with the goal of stabilizing as many of the projects as resources allowed, with a special emphasis on creating viable pathways to home ownership for the 18 lease purchase projects. One component of the LIHTC Initiative involves right-sizing each project’s bank debt. As of September 2013, the results of the Initiative’s work for these 25 CDC-sponsored projects are:

- 11 discounted note sales from banks to nonprofit mission-based organizations (10 lease purchase projects and an elderly multifamily project);
- 1 private sale (a multifamily project);
- 1 loan modification (a lease purchase project);
- 3 lease purchase projects still need action, in negotiations with bank for debt restructure (one bank provided financing for all three projects);
- 4 no action needed (lease purchase projects able to carry outstanding debt structure);
- 5 no action needed (multifamily projects, generally without any bank debt).

Realistic solutions to the Y16 challenge must involve bringing all project stakeholders to one table. This initiative was designed to be a model for how to proactively tackle the Y16 challenges as well as to institute early intervention strategies to mitigate some of the financial burdens that surface before the end of the compliance period. Low rents, escalating operating costs, and aging building components combine to create uncertain futures for multifamily projects.

For lease purchase projects, current residential mortgage underwriting standards prohibit many lease purchase families from being able to secure mortgages. In addition, project debt with significant balloons at maturity drives unaffordable release prices. These factors reduce the number of lease purchase families who can take title to their homes. The Cleveland LIHTC Initiative was designed to preserve existing affordable housing through mitigating these threats to at-risk properties, and to engage and provide assistance to CDC sponsors to enhance the preservation of Ohio’s portfolio of aging LIHTC-financed lease purchase projects.
A local bank had outstanding loans for two 9% lease purchase projects that had ballooned, and wanted to pursue a single solution to these non-performing loans. The Y16 Initiative met with senior bank managers, and the bank concluded the projects were in fact overleveraged. The bank sold both loans to CHN for 35 cents on the dollar. CHN utilized both internal resources and a Y16 Initiative grant to purchase these loans, and the resulting outstanding loan balance on CHN’s books was $4,000 per occupied home for these two projects.

Subsequently CHN provided Year 16 sales services to both projects. The two projects consisted of 85 homes, including 16 homes that were vacant and vandalized.

To date, 30 of these lease purchase families have taken title, with almost all utilizing the special residential loan product developed by NHS of Greater Cleveland. In addition, 10 of the vacant homes have been fully repaired including 5 sales to income-qualified homeowners utilizing a grant from the city to repair the homes and 5 deed-in-escrow sales to investors in which title does not transfer until the home is fully repaired by the investor.

Both the City of Cleveland and Ohio Housing Finance Agency played key roles in these work-outs. The city provided $100,000 of CDBG funds to repair 5 vacant homes, resulting in 5 new low-income home owners. The city also right-sized its subordinate debt to both projects and allowed each lease purchase family to assume a piece of this debt ($10,000) as a 0% deferred-until-resale second mortgage.
OHFA took all steps needed to release its restrictive covenants for both projects and restructure development grants it awarded these projects. The result of these actions by the city and OHFA was that public debt owed by the two projects was reduced from $1.3 million to $800,000, and accrued interest totaling $972,000 was fully forgiven. Finally the Year 16 Initiative awarded $75,000 of operating funds to the more troubled project to keep real estate taxes current and stabilize the project.

The Rationale for Intervention

There are two competing scenarios for what will happen to lease purchase projects in Y16:

- **The Positive Scenario**
  Most low-income lease purchase families take title to their homes, at a price they can afford, and are properly equipped with sufficient financial and home ownership literacy skills to successfully sustain home ownership.

- **The Negative Scenario**
  A project, losing money, fails to turn vacant units and runs out of cash, resulting in blighted vacant homes, a bank foreclosure, and the extinguishing of the project’s promise to lease purchase families to take title to their homes.

Typically, the non-blighted homes are sold to investors as long-term rental property in this scenario. The negative scenario, in addition to being devastating for the families and neighborhood, is also damaging to stakeholders of the community development industry. All involved parties (the housing finance agency, the local municipality, and LIHTC investors) receive a black eye. At the national level, such news could adversely impact Congress’ decision on whether and how to protect the LIHTC program in any potential legislative action designed to simplify the tax code.

It is the mission of the Cleveland LIHTC Initiative to:

- establish and implement strategies designed to fulfill the promise of home ownership for lease purchase families;
- stabilize and fortify low-income neighborhoods that could be adversely impacted by the potential blight of vacant lease purchase homes and foreclosures of lease purchase projects;
- protect the reputations of public sector investors such as OHFA and local municipalities, and federally, the reputation of the LIHTC program as viewed by Congress and other policy makers as they assess the efficacy of local affordable housing efforts.
Success Factors for Y16 Partnerships

In order to create a system-wide infrastructure that would fortify a project’s ability to experience a positive scenario as outlined above, the Cleveland LIHTC Initiative established the five success factors outlined below:

1) **Right-size underlying debt so that sale prices (which drive monthly payments) are consistent with what families can afford** (also known as the equivalency principle):

   Monthly debt service (after a family takes title)  
   + Real Estate Taxes  
   + Property Insurance  
   + Utilities  
   + Maintenance  
   = Total monthly cost of housing after a family takes title

   **Which MUST be <= Monthly Rent + Utilities Cost as Tenant**

The equivalency principle is critical to a family’s ability to successfully transition from leasing to home ownership. Therefore, all LIHTC Initiative stakeholders will need to understand and support the importance of this underlying principle.

All sale prices, loan modifications/note purchases, and buyer debt service must be structured with this principle framing all decisions. As a result, if a project is overleveraged, the LIHTC Initiative engaged each lender in high-level conversations about the need to restructure debt, either through a loan modification or a discounted note sale to a friendly purchaser (e.g., a nonprofit mission-based organization).

2) **Develop a non-bank residential mortgage product that lease purchase families can access.**

   Prior to America's financial crisis, most lease purchase families could qualify for a 15- or 30-year CRA-motivated bank mortgage. Now, most cannot, due to banks’ conservative underwriting criteria. As a result, the Year 16 Initiative has partnered with Neighborhood Housing Services of Greater Cleveland (NHSGC) to provide a non-bank residential mortgage product for families of the 18 lease purchase projects in the Year 16 Initiative. NHSGC is providing a $2.5 million revolving loan fund for families to access in support of affordable home ownership. Each loan has a 5 year amortization schedule, with a 6.5% interest rate.
3) **Build Y16 sales capacity for each of the projects.**
   The Year 16 Initiative is sensitive to the fact that disposition of individual lease purchase transactions are complicated, time consuming and require a unique skill set. Some nonprofit project sponsors lack capacity and critical mass to staff up the Year 16 sale process. To successfully achieve this goal, the Initiative has created opportunities with experienced stakeholders to build this capacity, either inside a CDC, or more likely, via third-party services.

4) **Develop and fund a strategy to deal with vacant vandalized homes.**
   In most cases, maturing LIHTC deals that are reaching the end of the compliance period have little to no reserves available for make-readies, or worse, to complete significant repairs from vandalism. In support of the Cleveland LIHTC Initiative, the City of Cleveland committed $500,000 for this purpose. In addition, the Cuyahoga County Landbank agreed to take title to and demolish a small number of homes that are not financially viable.

5) **Bring best asset management practices to bear on all 18 lease purchase projects.**
   The likelihood that a lease purchase project will succeed in Y16 (without the need for additional resources or lender concessions) is 100% proportional to the quality of the project owner’s asset management stewardship. As a result, one of the major goals of the LIHTC Initiative has been to either enhance the asset management skill set of each CDC project sponsor, or affect the transfer of ownership to a more responsible entity if those efforts fail.
   This work will be illustrated in various ways to include, decreased tax valuation of every home that has rolled off of tax abatement, lower insurance premiums, better management of water/sewer bills, and manageable accounts payables.

### Worst-Cases Scenario

Although the five success factors outlined are very reasonable and attainable, there are some cases where the partnerships may be too far gone to salvage. A situation may arise where a project has reached Year 16 and the bank is not receptive to a modification or note sale. It may also be the case that this project is not cash-flowing, resulting in higher vacancy rates and unpaid bills. Further there may be no third-party resources to subsidize the stabilization of the project. In such worst-case scenarios, the approach would be to create a viable work-out strategy to the greatest extent possible, with the caveat that priority will be given to working with current families to take title to their homes.

In summary, the work of the Year 16 Initiative has illustrated that in all cases and all real estate markets, Lease purchase projects succeed if (and only if):
1. best practices in asset management are pursued to control costs, complete timely make-readies, and preserve/build reserves (pre-Y16);

2. the nonprofit general partner agency has sufficient internal capacity and scale to withstand the pressure of lean times when the partnership is low on cash, and perhaps with limited reserves;

3. the underlying debt service (during operations) and remaining debt (in Y16) are reasonable;

4. lease purchase families can successfully access take-out financing, complete with counseling;

5. each lease purchase family’s total cost of owning and maintaining his/her home after they take title is less than or equal to total costs before they take title (the equivalency principle);

6. capable Y16 services (unwinding the partnership as well as working with each lease purchase family to purchase his/her home) are available (either through a third-party contract or in-house).

Unfortunately, all of these factors are not necessarily found in one organization. This is particularly true for smaller nonprofit CDC sponsors where LIHTC lease purchase projects and real estate projects in general (development, property management, asset management, resident services, and property sales) are NOT the CDC’s primary line of business. This line of work requires significant scale and internal financial and operational capacity to not only succeed through the compliance period, but to also successfully support lease purchase families through the sale process.

If organizations do not possess the internal capacity to deliver upon all of the factors outlined above, it will be imperative that local community stakeholders convene and partner to bring the necessary components of operational and financial capacity to bear in an effort to successfully preserve affordable housing and enable lease purchase families to take title to their homes. This will most likely require the engagement of a competent affordable housing provider who is able to step in and assist with the implementation of various aspects of the initiative.

The sooner a lease purchase sponsor declares a problem and brings all stakeholders to the table, the greater the likelihood that a quality solution can be found.
Concluding Remarks

Since CHN began its LIHTC Lease Purchase Program in 1987, we have learned many lessons and made many changes over the years to improve the program. While not comprehensive, this manual has provided some of the basic lessons and best practices we have learned and employed over the years.

While we have provided key points specifically for the Year 16 transition process, we understand there still may be many questions because of the extensive and complex nature of running an LIHTC-funded Lease Purchase program. If there is specific information that you are interested in learning about please contact us.

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www.chnnet.com

Main CHN Phone
Kate Monter Durban, Assistant Director
Email
Website
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PROPERTY MANAGEMENT DOCUMENTS (LEASE UP)

• Lease Purchase Flyer & Application
• Contract of Care
• Life as a Lease Purchaser Curriculum
• Newsletter
• Welcome Home Packet
• Rent Collection Policies
What is Lease Purchase?

Lease Purchase is Cleveland Housing Network’s home ownership program for those who cannot otherwise afford to purchase a home. We lease the home at an affordable rate with an option to purchase once CHN has owned the home for 15 years (the home you lease may have less than 15 years before it is available for purchase). While leasing, the tenant is responsible for basic home and yard maintenance; CHN covers taxes, insurance, major repairs, water and sewer.

What are Minimum Income Requirements to qualify for the program?

<table>
<thead>
<tr>
<th>Bedroom</th>
<th>Monthly Income Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 bedroom</td>
<td>$830-1185/month</td>
</tr>
<tr>
<td>2 bedrooms</td>
<td>$830-1275/month</td>
</tr>
<tr>
<td>3 bedrooms</td>
<td>$932-1513/month</td>
</tr>
<tr>
<td>4 bedrooms</td>
<td>$1048-1575/month</td>
</tr>
</tbody>
</table>

If you have a Section 8 voucher, minimum monthly income must be $600/month. All income requirements are based on having NO Debt. Minimum income is higher if you have debt.

Are there Other Requirements?

- At least one person in the home must be 18 years old
- NO eviction judgments within the past 2 years
- NO felonies within the past 5 years
- Bankruptcies must be discharged (evidence of credit repair)
- Entire household cannot be full-time students. (Some exceptions apply. See application for full details.)

This is not a complete list of criteria to be approved for housing. Other requirements/restrictions apply.

For more Information:

Visit www.chnnet.com (click on “Find a Home” and select “Lease Purchase”), or contact Kimberly Jett at 216.774.2373, email kjett@chnnet.com.

To Lease a Home:

1. Review “Eligibility Requirements” (left).
2. Review the “Now Available” list (see back).
3. Call 216.774.2404 to schedule a tour.
   Leave your name & phone number, along with the address of homes you want to see. Homes are leased on a first come-first serve basis, so please respond to our call promptly.
4. Provide a $100 “good faith” deposit.
   If you like the home you tour, provide a $100 deposit to the Property Manager. This will hold the property until you submit an application and can be approved.
5. Fill out a Lease Purchase application.
   Return a completed application to the Property Manager.
   Applications can be obtained from the Property Manager, at CHN main offices or at www.chnnet.com/lease-purchase.aspx.
6. Register for Classes.
   You must attend two classes before moving in: “Life as a Lease Purchaser” & “My Money.” Register early! Classes fill up quickly. Call (216) 881.8443 or register at www.chnnet.com (click on Training & Education)

Welcome Home!

Once your application is approved, your Property Manager conducts a final “walk-through” with you and gives you the keys to your new home.

216.574.7100 | www.chnnet.com
2999 Payne Avenue
Cleveland, Oh 44114
Appendix A: Lease Purchase Application

Lease Purchase Program Instructions

How to Apply

To apply for a home with Cleveland Housing Network please obtain a copy of the Now Available List from Cleveland Housing Network or online at www.chnnet.com. The list is updated weekly on Fridays.

If you are interested in one of the homes from the Now Available List, please call the number listed with the home and leave a message that states the address of the home from the Now Available list, your name and phone number. The Property Manager will return calls in the order they are received. If you are called about the home you must provide a $100 good faith deposit in the form of a money order to the Property Manager and a complete application. Your application will be reviewed and a determination will be made if you are eligible for the home. All homes on the Now Available List are available on a first come first serve basis. If you do not find a home that you are interested in from the Now Available List please keep reviewing it weekly for updates as you must indicate a home from the list to submit your application.

BEFORE TAKING AN APPLICATION YOU MUST MEET THE FOLLOWING REQUIREMENTS: Restrictions Apply

• Minimum Income Requirements: Without a Section 8 Voucher and with NO Debt:
  Please Note: Debts such as credit card payments, car loan payments, student loan payments, and child support payments are considered debts (this is not an all inclusive list). The minimum income requirement is higher if the applicant has debt.

  1 Bedroom = $830-$1185 per month*
  2 Bedrooms = $830-$1275 per month*
  3 Bedrooms = $932-$1513 per month*
  4 Bedrooms = $997-$1538 per month*

The minimum income limits listed above are based on the lowest rent charged for the bedroom size; as the rent increases so will the minimum amount of income you will have to make for the home. Example: a 3 bedroom home with rent of $545 a month will require at least an income of $1,365 if the household has no debt (see debt definition).

  • Minimum Income required is $600 a month with a Section 8 voucher.
  • At least one person in the household must be 18 years of age
  • NO eviction judgments within the past 2 years
  • NO felonies within the past 5 years
  • Bankruptcies must be discharged, with evidence of credit repair
  • The household is not a full-time student household, which is defined as everyone in the household including children enrolled in school.
  • Unless you meet one of the following criteria:
    • Receiving assistance under title IV of the Social Security Act (e.g., receiving cash payment from TANF)
    • Enrolled in a job training program receiving assistance under the Job Training Partnership Act or under other similar programs.
    • Single Parent and their children and such parents are not dependents of another individual and such children are not dependents of another individual other than a parent. Two years of tax return documents must be provided.
    • Married and file a joint return

*Restrictions Apply
** Other restrictions Apply – This is not a complete list of criteria to be approved for housing
*** RENT FOR THE LEASE PURCHASE PROGRAM IS NOT BASED ON INCOME
Appendix A: Lease Purchase Application

CLEVELAND HOUSING NETWORK
2999 Payne Ave. #306, Cleveland Ohio 44114
(216) 574-7100 Office
(216) 574-7130 Fax

Thank you for expressing interest in our housing program. In order to be considered for the Lease Purchase Program you must submit all of the following documentation and attend the Life as a Lease Purchaser orientation in the Community Training Center. The class can be scheduled by calling 216.881.8443.

Please use the checklist below to make sure you provide ALL of the required documents:

☐ Complete Applications for ALL household members who are 18 years old and older
☐ Copy of Birth Certificates (All Occupants)
☐ Copy of Social Security Cards (All Occupants)
☐ Copy of Photo I.D. (Each person 18 years old & older)
☐ Copy of Gas and Light bills. (Most recently paid Gas or Light bill.)
☐ Proof of Income

Only the documents that pertain to your household are needed from the list below. Please be sure to report ALL income as the Lease Purchase Program is not income based and failing to report total household income may make you ineligible.

☐ Three current pay stubs
☐ Statement from SSI and/or Social Security
☐ Welfare Agency
☐ Child Support
☐ Workers Compensation
☐ Unemployment
☐ 1099 tax form if you are self-employed

☐ Checking or savings account statements. This also includes prepaid debit cards.
☐ City Police Report **Originals only** (Each person 18 years old & older)
☐ County Sheriff Report **Originals only** (Each person 18 years old & older)

Police reports can be obtained Monday, Wednesday, and Friday (8:15am-3:15pm), closed Thursday and Tuesday.
Location: Justice Center, 1215 West 3rd Street
County Report $6.00-money order or cash accepted
City Report $.05-money order or cash accepted

All Incomplete applications will be declined

**CHN will not be able to copy any documents. Please have all necessary Documents copied before submitting your application to CHN.**
RELEASE OF INFORMATION FORM

PURPOSE
The following named organizations may use this authorization and the information obtained with it to assist lease purchasers with Homeownership, to administer and enforce policies and guidelines for the Low-Income Housing Tax Credit (LIHTC) housing program.

AUTHORIZATION
I authorize Cleveland Housing Network and its agents to obtain information on wages, unemployment compensation or any other income source.

I authorize the release of any information (including documentation and other materials) pertinent to eligibility for or participation under any of the following programs:

Enterprise Social Investment Corporation (ESIC)
Local Initiatives Support Corporations (LISC)
Supportive Housing Programs
City of Cleveland
State of Ohio
Section 8 Housing Assistance Payment Program
Section 42 LIHTC
HUD
Federal Home Loan Bank

I authorize the above named organizations to obtain information about me and all members of my household that are pertinent to eligibility for or participation in LIHTC.

COMPUTER MATCH NOTICE AND CONSENT
I agree that authorized agencies may conduct computer-matching programs with the governmental agencies including Federal, State, or Social Agencies. The governmental agencies include:

U.S. Office of Personnel Management
U.S. Social Security Administration
U.S. Department of Defense
U.S. Postal Service
State Employment Security Agencies
State Welfare and Food Stamp Agencies

The match will be used to verify information supplied by the family.

CONDITION
I agree that photocopies of this authorization may be used for the purpose stated above. If I do not sign this authorization, I also understand that my housing assistance may be denied or terminated.

INDIVIDUALS OR ORGANIZATIONS THAT MAY RELEASE INFORMATION
Any individual or organization including any government organization may be asked to release information. For example, information may be requested from:

Banks and other Financial Institutions
Courts
Law Enforcement Agencies
Credit Bureaus
Employers (Past and Present)
Landlords
Providers of:
Alimony
Child Support
Credit
Disability Assistance
Medicare
Pension Agencies
Schools and Colleges
U.S. Social Security Administration
U.S. Department of Veteran Affairs
Utility Companies
Welfare Agencies

Print Name of Member of Household (18 years and older)

Signature of Member of Household (18 years and older)

Original is retained by the requesting organization

AFM-4 Revised 10/28/2011
Lease Purchase Application

Directions: Please answer all of the questions on this application without leaving blank spaces. If a question does not apply respond with N/A. All applicants 18 years and older must complete an application. All persons you anticipate occupying your home at least 50% of the time must be included on the application. If additional space is required please attach a separate piece of paper.

Date: ___________ Current Phone Number: _________________ Alternate Phone Number: _________________

Answer by circling YES or NO

Have you applied with Cleveland Housing Network in the Past? YES NO
If yes, were you denied? YES NO
Are you a former Cleveland Housing Network Tenant? YES NO
Are you currently receiving Section 8 (HCVP)? YES NO

Family Composition

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<thead>
<tr>
<th>NAME</th>
<th>SS Number</th>
<th>Birth Date</th>
<th>Relation</th>
<th>Sex</th>
<th>Student</th>
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Do you expect a change in your family size? YES NO If yes explain: ________________________________

Would you or any members of your household benefit from a handicapped-accessible unit? YES NO

Income/Employment/Assets (Bank Accounts, Stocks, 401k, Cash, Trust Funds, IRA Accounts, etc.)

Applicant 1: APPLICANT NAME: ________________________________

Current Employer: ___________________________________________ Date of Hire: _____________ Phone: ___________________

Address: ___________________________________________________ Monthly Income Amount Received: __________________

(Circle) Past or Additional Employer: __________________________ Date of Hire: _____________

Phone: ___________________ Address: _______________________________________________________

Monthly Income Amount Received: ____________________

Other Income received

Child Support: $ _______/mo Social Security: $ _______/mo SSI: $ _______/mo Other: $ _______/mo

Assets

Circle all that apply: Checking Account Savings Account IRA Stocks Cash Other

Account Number: __________________________ Financial Institution Name: __________________________

Account Number: __________________________ Financial Institution Name: __________________________
Applicant 2:

APPLICANT NAME: _________________________________________

Current Employer: _________________________________________  Date of Hire: _____________ Phone: ___________________
Address: ___________________________________________________    Monthly Income Amount Received: __________________

(Circle) Past or Additional Employer: _________________________________________    Date of Hire: _____________
Phone: ______________________ _ Address: _______________________________________________________
Monthly Income Amount Received: ______________________

Other Income received

Child Support: $ ___________/mo       Social Security: $ ___________/mo     SSI: $ ___________/mo    Other: $ ____________/mo

Additional Income: Please list any other household income that was not reported in the sections above.

Source: _______________________ Amount: $_________________/mo Householder Member: ________________

Additional Income: Please list any other household income that was not reported in the sections above.

Source: _______________________ Amount: $_________________/mo Householder Member: ________________

Assets

Circle all that apply:   Checking Account  Savings Account  IRA   Stocks   Cash

Other_______________________________________________________________________

Account Number: __________________________ Financial Institution Name: ______________________________
Account Number: __________________________ Financial Institution Name: ______________________________

Residency History   (Please provide 3 years of residency history)

Applicant 1:

Current Address: __________________________________________________________________   Current Rent: $______________
Landlord Name: ________________________________________________________    Phone Number: ______________________
From________ To ________  Why do you want to move? _____________________________________________________________

Previous Address: _________________________________________________________________ Rent: $______________
Landlord Name: _________________________________   Phone Number: _____________________      From________ To ________

Applicant 2:

Current Address: __________________________________________________________________   Current Rent: $______________
Landlord Name: ________________________________________________________    Phone Number: ______________________
From________ To ________  Why do you want to move? _____________________________________________________________

Previous Address: _________________________________________________________________ Rent: $______________
Landlord Name: _________________________________   Phone Number: _____________________      From________ To ________

General Information (circle YES or NO)

Are you currently in the process of becoming evicted or have you or any member of your household been evicted? YES  NO
Have you or any member of your household been convicted of a crime within the past five years? YES  NO
Have you ever filed for bankruptcy? YES   NO   If yes, is it discharged? YES  NO
Do you have any pets? YES  NO
Will this be your only place of residence? YES  NO

Current marital status (circle)

Applicant 1: Never Married   Divorced   Legally Separated   Married   Widowed
Applicant 2: Never Married   Divorced   Legally Separated   Married   Widowed
## Lease Purchase Application

### Personal Reference/Emergency Contact

<table>
<thead>
<tr>
<th>Name</th>
<th>Phone Number</th>
<th>Relation</th>
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Are you or any family member, now, or previously during the last 12 months an employee, agent, consultant, officer, elected, or appointed official of the City of Cleveland, Community Development Department, of the Cleveland Housing Network (CHN), or any CHN member organization or any contractor doing business with CHN?

**YES**  **NO**

If yes, explain in detail the position held, the name of the employer, and the nature of their duties: ____________

__________________________________________________________________________________________________________________________________________________________

I hereby certify that the information stated above is true, correct and complete to the best of my knowledge. I further understand and agree that if any of the information I have provided in this application is found to be incomplete, incorrect or false, it will be grounds for denial of this application or termination of my tenancy. I also hereby authorize the owner and or the owner’s agent to verify the foregoing income, employment, and asset information; to conduct a credit check, check for criminal history and check for prior evictions; to call the current and former landlords, to call personal references; and to verify any other information I have provided on this application. I further understand that this application does not guarantee housing or a position on a waiting list. Additionally any good faith deposit that has been provided will be surrendered if the information provided in this application has been found to be fraudulent, false, or willfully incorrect.

_____________________________  __________________________
Applicant 1 Signature         Date

_____________________________  __________________________
Applicant 2 Signature         Date

Warning: Section 1001 of Title 18 U.S. code makes it a criminal offense to make willful, false statements or misrepresentation of any material fact involving the use of or obtaining federal funds.

Revised 5/27/2014
RESIDENT'S MAINTENANCE RESPONSIBILITIES (CONTRACT OF CARE)

EXTERIOR MAINTENANCE

1. Cut grass, trim bushes and shrubs, weed and fertilize and plant flowers as needed.
3. Shovel snow in winter. Keep service walks and stairs free from snow and ice at all times.
4. Repair/replace all broken windows (including repair or replacement of damaged door glass).
5. Repair/replace broken screens.
6. Replace mailbox as needed.
7. Replace broken or missing address numbers on house.
8. Maintain and repair all fences.
9. Other minor exterior maintenance as needed.

INTERIOR MAINTENANCE

1. Paint all walls, ceilings, floors, trim and any other paintable surfaces as needed.
   If scraping is needed, contact CHN Maintenance Department.
2. Clean carpet as needed (at least annually).
3. Caulk sink and tub areas as needed.
4. Replace washers/cartridges in kitchen and bathroom faucets as needed.
5. Change furnace filters during the heating season.
6. Replace broken or missing doorknobs.
7. Replace window locks and lifts when broken or missing.
8. Test smoke detectors monthly; replace batteries every six months.
9. Other minor interior maintenance as needed.

Your responsibilities as a resident are detailed in your Lease agreement and this Handbook.
Appendix A: Contract of Care

MAINTENANCE POLICIES

MAINTENANCE – CUSTOMER SERVICE
Customer Service Representative is available during regular business hours to take your maintenance call. If you have a maintenance request, please call (216) 574-7110. This number can also be used for After Hour Emergencies.

MAINTENANCE PRIORITIES
Corrective maintenance is the repair or replacement of materials that are damaged or do not function. This service is performed in response to (1) a resident request or (2) identification during inspections. The following priority system is used for routing and scheduling corrective maintenance:

Priority 1: Emergency – defined as any situation adversely affecting the life, health or safety of a resident, the property or an adjacent property. All emergencies are handled within 24 hours and may include:
- sewer backup
- fire
- no heat when temperature is below 40 degrees
- plumbing/water leaks causing damage to structural or personal belongings
- gas leaks (call Dominion East Ohio Gas at 361-2345)
- sparks from the breaker box, outlet or electrical switch
- or short circuit

Priority 2: Urgent – problems involving an inconvenience, discomfort or hardship, to you and your family, or that could result in further deterioration of property if left unattended. Urgent repairs are handled within 48 hours and may include
- water leaks
- broken steps
- leaking hot water tanks
- hanging gutters
- blown fuses
- backed-up toilets

Priority 3: Routine – situations that warrant repair but are not urgent. These situations often require an inspection. For routine repairs, CHN shall contact the resident within 72 hours to arrange for the completion of the repairs.
- extermination
- lock changes
- minor electrical repairs (i.e. securing light fixtures and replacing nonworking switches).

Deferred – lower priority maintenance items are deferred (not completed) until funds become available or until the season/weather permits the work to be completed. Typically, these include
- repairing or re-tiling floors
- roof repairs.
- concrete and asphalt repairs
Appendix A: Contract of Care

- landscaping and tree cutting
- garage repairs or demolition
- tuckpointing of foundations and chimneys
- exterior painting of houses

Preventive – may include biannual furnace cleaning and inspections and extermination in multiple unit buildings.

MAINTENANCE REQUESTS
Please allow us at least 72 hours to respond to your request. The only exceptions are for requests that we have prioritized as emergencies, urgent, or for extensive jobs, such as roof repair or major sewer work that require us to bid out the work before we can complete it.

When you call in a maintenance request:

- Make yourself available to the contractor. We have had many situations where our contractors and staff have difficulty getting in touch with residents.
- Our contractors are given a deadline in which they must complete your maintenance request. They can only accomplish this if you return their calls to set up an appointment with them. That is why it is important that you leave a working phone number with us when you call in with a maintenance problem. If you are unable to keep an appointment you will need to call the contractor and cancel the appointment.
- Not having a phone number can make it very difficult for us to service your request. If we are unable to get in touch with you after several attempts, we will try to contact you by mail. This will be noted in our files.
- If you find that you need extra work done at your unit after a contractor has arrived, please call the Maintenance Department immediately. The Maintenance Department must approve any additional work BEFORE it can be started. Contractors are not allowed to do any work unless it is approved by CHN first.

MAINTENANCE – WORK AT YOUR HOME
Always take down the name of any contractor or person coming to your home to do work. Residents should NEVER allow any person into their home without getting all the information about the person first. This is important for two reasons:

1. This can be a safety issue. You should never assume that everything is all right just because someone claims to have been sent by the Maintenance Department to do work on your home. Call the Maintenance Department if you have concerns.

2. Having the name of the contractor doing work at your home is extremely helpful should a problem arise concerning the work that is being completed. This will help the Customer Service Coordinator or Regional Coordinator research who was sent to your home and then contact the correct contractor to come back and resolve all issues.

When a contractor finishes working in your home, the contractor is required to have you sign a Maintenance Sign-Off Sheet.

- Please DO NOT sign this sheet unless you are completely satisfied with the work.

- Sign-off sheets should never be signed simply as proof that a contractor came to your home. They are supposed to be used as customer satisfaction forms.

- We encourage all residents to write down any comments that you have about the completed work (good or bad) on the comment section of the sign-off sheet. If a contractor is pressuring you to sign before or after a job is done, contact the Maintenance Department immediately to inform us of the situation.
MAINTENANCE CHARGE BACKS

There are circumstances where you, as the resident, may be required to pay CHN for the cost of repairs on your home. These are called charge backs. The following issues would result in a charge back to the resident:

- Maintenance issues that are caused by resident damage or neglect (such as repair of clogged toilets, broken windows, doors hanging off hinges, holes punched in walls, unit infested by fleas, damaged carpeting, cleaning up excess debris, and disinfecting units).
- A resident misses an appointment with a contractor without calling the contractor to cancel the appointment and the contractor bills CHN for a service call.
- A citation from the city or from Section 8 that results from resident negligence. For example, the resident fails to cut the grass or clean up debris from the yard. A citation can result from failure to cut the grass when it’s higher than 6’-8”, putting trash out too early, not changing batteries in smoke detectors, or failing to repair other damage to the property.
- Work done by the Maintenance Department that is the resident’s responsibility, such as cutting high grass, snow removal, repairing broken windows or screens, repairing fences, changing furnace filters, replacing light bulbs or smoke detector batteries, cleaning carpeting, lighting furnace pilots or rehanging doors or handrails.
- Unnecessary maintenance calls. For example, a resident calls in with a furnace problem, is asked by the Customer Service Coordinator to see if the switch on their furnace is turned on, and refuses. If the heating contractor discovers that the only problem was that the switch was not on, the resident will be charged.

Residents will be notified by mail when a charge back occurs. You will be given a description of the service that was performed and the cost of the service. Payment must be made within 30 days of receiving the charge back letter.
Life as a Lease Purchaser

An orientation with money management skills for Cleveland Housing Network applicants.
Appendix A: Life as a Lease Purchaser Curriculum

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For more information on this class contact Cleveland Housing Network.
in this issue

Resident Advisory Committee
Spring Into Action
CHN Partners With Y.O.U
Lease Renewal Reminders
Bed Bugs Reminders
Fence Program Inspections Reminder
Pay By the First
Special Interest Workshops
Summer Safety Tips

Get Involved and Be Heard!

All CHN Lease Purchase residents are invited to attend RAC meetings. You do not have to meet any special requirements except being a CHN Lease Purchase resident. Important issues are discussed that affect you and your household.

Meetings are held on the 3rd floor of CHN
2999 Payne Ave.
Cleveland, Ohio 44114

Upcoming RAC Meeting Schedule:

**Wednesday, July 16**
**Wednesday, September 17**
**Wednesday, November 19**

All RAC meetings begin at 6pm and are held every 3rd Wednesday in alternating months.

*Refreshments will be served!*
Phone 216.774.2414
Email chnrac@gmail.com

Rob Curry
CHN Executive Director
P.O. Box 201399
Cleveland, OH 44120

CHN’s No Cash Policy: Help Stop Fraud

CHN has a strict policy that NO employee, Property Manager, or CHN representative shall request or receive cash or personal favors from CHN residents or applicants for CHN housing or services. If you know of any violation of this policy, please immediately write to:

Rob Curry
CHN Executive Director
P.O. Box 201399
Cleveland, OH 44120

Learn more about your Neighborhood! Photo: North Coast Harbor Rock and Dock Cleveland, Ohio
This year's Spring Into Action program was held at the Asia Plaza and included classes presented by the CHN Maintenance department and Property Management. The goal of each class was to instruct participants on how to repair and avoid common household maintenance related issues.

The featured classes included:

- Flooring presented by Adam Carney
- Plumbing presented by David Camacho
- Electrical presented by Mitch Strojanovic
- Drywall presented by Chris MacNamara
- Successful Homeownership presented by Kelly Ali and Tammy Reese

The CHN Community Resource Center was on hand to help residents to review their credit reports, assisted by Melissa Branch and Randy Cedeno.

A special thank you to Dupree entertainment and KIDZ World for providing entertainment. All in attendance enjoyed the music provided and a special appearance by Mickey Mouse (presented by KIDZ World).

Congratulations to all raffle winners. Participants received over $450 in prizes and $700 in rent credits.

A special thank you to all program participants and volunteers. Spring Into Action would not be possible without their participation.
This summer Cleveland Housing Network is partnering with Youth Opportunities Unlimited. Y.O.U offers an employment program for teens to help build employability skills and job experience. Cleveland Housing Network recognizes that obtaining and maintaining employment is essential to succeeding in life. Partnering with Y.O.U to bring this program to our young resident is an exciting opportunity.

All of the youths assigned to participate in the summer program at Cleveland Housing Network are current residents of Cleveland Housing Network. CHN specifically recruited exclusively from of CHN residents. The teens will have the unique opportunity to learn more about the operation of Cleveland Housing Network while gaining valuable employment skills during the six week period of the program.

Y.O.U. summer job program employees are employed in the following CHN departments:

- Sales
- Technology
- Maintenance
- Accounting
- Weatherization
- Property
- Management

Cleveland Housing Network’s desire is for this program to be an ongoing experience beyond the six week employment period for those who wish to receive additional mentoring and follow up. It is CHN’s hope that this experience will help lead to a successful career path for these talented young people.

Lease Renewal Reminders

The IRS and the State of Ohio requires that CHN annually review your income and family composition for reporting purposes for the Low Income Housing Tax Credit Program. This process must be completed for Cleveland Housing Network to stay in compliance with HUD guidelines. CHN completes this process along with your lease renewal annually.

Please remember to schedule your appointment when you receive your lease renewal letter in the mail from Lisa Williams or Jo Ann Harris by the date indicated in the letter. It is also important to keep your appointment. All household members 18 years of age and older must attend the appointment and bring the required documentation.

Be prepared by bringing the following household information with you:

- Three recent pay stubs from your place of employment
- ADC (printout)
- SSI/SS award letter dated for the current year
- Pension letter
- Child Support print out
- Tax returns can be provided if you are self employed
- Most recent savings account statement
- Most recent checking account statement
- Current Certificate of Deposit statement
- Current IRA statement
- Stocks or Bond statements

Please be advised that failure to keep your appointment may put you at risk of eviction for non-lease renewal. Your cooperation is appreciated.
Bed Bug Extermination.. Will You Comply

If your home is identified as having bed bugs, either by you, the resident, or a CHN employee, it is imperative that your household comply with the procedures for bed bug extermination. Once a bed bug is discovered in your home, it can quickly multiply if it lays eggs in your home. Your compliance with extermination instructions will have a bearing on the success of extermination being completed in your home.

If you suspect you have bed bugs in your home, immediately contact maintenance at 216.574.7110. Maintenance will contact you to schedule an appointment to inspect your home for bed bugs. Following the instructions provided is imperative for the proper extermination of your home.

After being contacted for an appointment, you will also be provided with a list of instructions. Please be sure to follow the instructions as closely as possible. Failure to comply with the provided instructions will inhibit the extermination process and make it more difficult to exterminate the bed bugs in your home.

Be sure to keep appointments with the exterminator and provide follow-up access to your home for scheduled appointments. Bed bug extermination often requires more than one visit to your home to clear the home of bed bugs. Failure to comply with the procedure for extermination may result in eviction.

Following extermination and clearance, special attention should be provided to visitors, and frequenting homes or places previously or currently identified with having bed bugs. Remember, CHN will only provide the initial extermination at no cost; subsequent exterminations will be a chargeback to the resident.

Do You Suspect You Have Bed Bugs in Your Home?
Immediately report to maintenance any suspicion of bed bugs and be sure to follow the instructions provided by Maintenance on the Preparation Notice for Initial Bed Bug Treatment form.

Fence Program

If you would like to request a fence, you may do so by contacting your Property Manager. Please note that you must acknowledge several conditions under the Fence Policy.

CHN will pay 1/3 of the total cost of the fence or $1,200, whichever is less. You, the resident, are responsible for paying any remaining balance of the total cost of the fence.

An initial $50 non-refundable quote fee will be charged to measure and estimate the cost of the fence. If you elect to receive the fence, the $50 fee will be applied to your total portion of the fence cost. If you elect not have the fence installed, the quote fee will be forfeited.

Work to install the fence will not begin until you have provided 1/3 of the total cost of the fence as a down payment. The remaining balance of the fence can be paid to CHN through a payment agreement between you and CHN. This amount will be added to your monthly rent amount and will be due with your monthly rent.

All fence requests are subject to approval. Please see your Property Manager if you need further information or to request a fence.

Inspections Reminder

Inspections will be scheduled for randomly selected residents by our investors, the State, and the City. If you receive a letter in the mail, please coordinate with your Property Manager to provide the needed access to your home. If you have a known health/safety issue, please do not wait for the inspection; call it into maintenance at 216.574.7110. If you receive an inspection notice from CHN or your Property Manager, please remember it is your responsibility to provide keys to your home. Your cooperation is greatly appreciated. Please see your Property Manager if you have questions.
### Special Interest Workshops

All special interest workshops are held in the evening from 6:00-8:00pm in the Community Resource Center classroom of Cleveland Housing Network on the first floor of Asia Plaza, 2999 Payne Avenue.

#### Keep It Together

Keep It Together is a two hour, hands-on workshop where you learn to care for your home, inside and out. Topics Include:

- Minor wall repairs
- Fix holes in screens
- Stop costly water leaks
- Bathroom and kitchen caulking
- Cleaning gutters and siding
- Cleaning drains

Save money with these easy projects while keeping your home in tip-top shape.

#### Smart Car Financing

No one wants to pay more than they have to for a car. The **Smart Car Financing** workshop shows many ways you can optimize your purchase and negotiate the best price and lowest loan. This workshop will cover:

- Choosing the right vehicle for your needs
- Financing options to save money
- Maximize your purchasing power
- Basic maintenance to preserve your investment
- Choosing the right vehicle for your needs
- Financing options to save money
- Maximize your purchasing power
- Basic maintenance to preserve your investment

Keep money in your pocket and drive with confidence.

#### Safety In Your Neighborhood

Join us for a discussion with officers from Cleveland Police District 3 on ways to improve **Safety in Your Neighborhood**.

- Resources to promote safety
- Learn how to report abandon houses and questionable activities
- Connect to neighborhood grants
- Start a Block Club
- Contact city officials to express concerns

Safe neighborhoods are a valuable asset to our community.

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<tr>
<th>Keep It Together</th>
<th>Safety In Your Neighborhood</th>
<th>Smart Car Financing</th>
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<td><strong>August 20</strong></td>
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<td><strong>August 6</strong></td>
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<td><strong>September 24</strong></td>
<td><strong>September 3</strong></td>
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<td><strong>October 22</strong></td>
<td><strong>October 15</strong></td>
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Each Special Interest Workshop fulfills 2 hours of Elective course requirements for Lease-Purchasers.

Register for any or all workshops by calling **216.881.8443**.

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### Its Official!

The Community Training Center has a new name – the Community Resource Center. This department is dedicated to promoting family stability through a variety of services and referrals to additional resources. By combining utility assistance with the Community Training Center programs, the department provides assistance with water, sewer, gas and electric bills as well as foreclosure prevention, homeownership education, tax preparation, computer training, and financial literacy. A staff of 12 certified counselors provides individual counseling as well as group classes. In partnership with other agencies, including Towards Employment, Legal Aid, and many neighborhood groups, we are working to help our residents improve their financial stability.
Keep Cool on Hot Days

It is important to exercise caution during the summer months when the temperature approaches or exceeds 90. High temperatures can put elderly and children at risk.

Stay hydrated. Dehydration can set in only after a few hours of exposure to high temperatures or physical activity. Common symptoms include feeling faint, muscle cramps, and an unusually dry mouth.

Children can dehydrate faster than adults, especially if children are participating in outdoor or sports activities. Remember to drink plenty of water or a drink containing electrolytes. Your family physician can also provide more information related to dehydration and ways to avoid it.

Stay Protected

Use protective gear while enjoying bikes, skateboards, roller skates, etc. Helmets are one way to prevent head injury. Consumer Product Safety Commission information can be reviewed for what guidelines to look for in a safe helmet.

Staying protected also includes keeping protected from the sun. Shady areas can provide some protection from direct sun rays if enjoying outdoor activities.

Sun screen is important to protect you and your loved ones from harmful ultra violet (UV) rays. Review the Sun Protection Factor (SPF) and if the product protects from UVA and/or UVB rays as some products will only protect against one or the other. Be sure to consider your outdoor activity. Will you be submerged in water? How long will you be outside? These questions are important as some sunscreens will last longer than others and some provide protection in water while others do not.

Practice Water Safety

Swimming and recreational water activities are the hallmark of summer. However, these activities present special risks. If you or your children are participating in water activities be sure to use proper caution.

Some important factors to consider include:

- The strength of the swimmer.
- The temperature of the water, to avoid hypothermia.
- The amount of constant supervision required.
- The availability of safety equipment

Swimming classes are the first step to prevent drowning or other water related accidents. It is important not to rely on water wings or other toy flotation devices to prevent drowning- these items may provide a false sense of confidence and also have the potential to deflate.

Consideration should also be paid to the body type of the water you or your child will be swimming in. Bacteria levels increase in natural bodies of water after rain, this is due to bacteria that is collected from items such as animal feces and or trash that collects into the body of water. Dangerous undertows and currents can also run under a seemingly calm body of water.

There is no substitution for good judgment and advance preparation. Discuss boundaries and rules before entering a pool or natural body of water. After setting limits and rules be sure to properly enforce these rules.

Remember to check Ohio Now Cast before heading out to the beach this summer for a water quality report at:

http://www.ohionowcast.info/index.asp
Grass Cutting and Waste Collection

Do you know the proper guidelines for grass cutting and waste collection? If the answer is no, that answer can be costly. The City of Cleveland has guidelines for cutting your grass and proper waste collection guidelines. The fines can range from $100 - $500. Cleveland Housing Network also requires that you properly maintain your yard per your lease agreement. Failure to comply with lease requirements can result in a chargeback to you. For example, if Cleveland housing Network has to arrange for your grass to be cut, you will be charged for this service.

Please be aware of the following guidelines.

Grass

- Grass height can not exceed 8”
- Weeds must be removed, this includes from the foundation of the home
- Yard must be kept free of trash and debris
- Shrubs must be kept trimmed and neat

Waste Collection (per the City of Cleveland)

- Trash cans and waste containers should not exceed 70lbs in weight
- Waste can not be set out before noon the day before your scheduled trash day
- Trash receptacles should be removed from your tree lawn within 12 hours of your trash being picked up
- Avoid large set outs of waste. A large set out is defined as trash that comprises an area larger than 6 ft long x 3 ft wide x 3 ft in height
- Set outs that exceed 12 ft long x 4 ft wide x 6 ft in height will incur a greater fee

Acceptable Waste Set Out

Unacceptable Waste Set Out

Appendix A: Newsletter

Home Safety Reminders

Keep Exterior Lights On At Night

Exterior lights will make it easy to spot someone who is trying to break into your home either by passersby or someone inside the home

Keep All Doors And Windows Locked

Keeping windows and doors locked is a practical way to deter a person trying to break into your home. Remember thieves are trying to find the easiest target

Work Together As A Community

When neighbors become familiar with each other it will be easier to identify unfamiliar persons on your street. If a block watch is formed, block watch signs should be posted on the street and in your home to let others know that the street is watching

Consider Purchasing Renter’s Insurance

While CHN will repair damaged doors and windows from the result of a break-in, CHN is not responsible for the stolen items. Renters insurance is a relatively affordable way to protect you financially in case of a break-in

Limit The Number Of Visitors You Have In Your Home

The more visitors you have in your home the more they become familiar with the possessions you have in your home. This may be their way of seeing what is available in your home. Get to know your children’s friends and their families

Be Aware Of How Packaging Is Disposed

Boxes from items you have purchased that are left out during trash day are an open invitation to let others know what you have in your home. Break down and bag boxes that may have held computers, flat screen TVs or other expensive items before disposing of them

Consider Purchasing An Alarm System

An alarm system can be a good deterrent for a burglar, remember they are looking for the easiest target. Once you purchase an alarm make sure to use it properly and keep it armed. Do not share your alarm code with persons who do not live in your home
PAY RENT BY THE 1ST

For a chance to win a $100 rent credit or Visa® Prepaid Card each month!

Each time you pay by the 1st of the month you will be entered into a Grand Prize Drawing for the quarter!

Winners must be a CHN LP resident to win!

Congratulations to:
March's winner: D. Drake!
April's winner: F. Green!

Pay on time
If you have questions please contact Kimberly Jett at 216.774.2373

Explore Your Neighborhood!

Wade Oval Wednesdays!
Bring a picnic and enjoy concerts or movies in University Circle. Wade Oval Wednesdays run from June 11-Aug 27. This event is free of charge!

Rock and Dock!
(Cover Photo)
North Coast Harbor now offers the opportunity to rent paddle boats, kayaks and jet skis to enjoy Lake Erie like never before! Rock and Dock is located directly behind the Rock Hall. Visit www.rockanddock.com for more details.

$1 Family Films
Cleveland Cinemas' $1 summer kids series features a variety of family friendly movies. All movies start at 10am and tickets go on sale at 9:30 am. Participating Theatres are: the Apollo Theatre, Capitol Theatre, Chagrin Cinemas, Shaker Square Cinemas, and Southside Works Cinema. Movies include:
- The Nut Job - July 16th
- The Lego Movie July 23rd

Edgewater Live!
Rediscover Edgewater Park with Edgewater Live. From 5:30-8:30 every Thursday till August 14 enjoy live music and activities! Vendors will be available to purchase food.

2999 Payne Ave #306
Cleveland, Ohio 44114
WELCOME TO THE PROGRAM

• FAMILY ORIENTATION COORDINATOR WELCOME LETTER
• IMPORTANT NUMBERS

For a copy of the complete booklet contact Cleveland Housing Network.
Appendix A: Welcome Home Packet

CHN Programs and Resident Information

- Community Training Information
- Waste Collection Flyer
- Online Rent Payments
- Renters Insurance
- Rental Advisory Information
- Maintenance Facts
RESIDENT HANDBOOK

- LEASEHOLD IMPROVEMENT PACKET
- PET AGREEMENT
- LEAD BOOK
  - DISCLOSURE OF INFORMATION FORM (LEASE-BASED PAINT AND/OR LEASE-BASED PAINT HAZARDS)
- RESIDENT HANDBOOK
**CHN’s general rent collection policy**

The following initiatives and general rent collection policies have made a tremendous impact on CHN’s delinquency rate and have ultimately decreased the number of evictions and increase retention rate for our residents.

- Property Management is very deliberate and consistent in collecting rent.

- Late notices (3 or 10 day) are posted timely within 3 days of late payment. Eviction is filed on the 4th day on the posting.

- Rent will not be accepted unless paid in full; no exception. Payment agreement allowed for charge backs only; no more than 12 months.

- Follow-up calls go out to the residents throughout the month.

- Property Management, effective January 2014, initiated a $100 monthly drawing for all on-time rent payers. On-time rent is defined as rent being paid on or before the 1st of the month. We have promoted this new incentive in the newsletter, poster at rent window, and in general correspondence to residents.

  We are also retrieving resident data to reward on-time rent payers who consecutively pay on-time as follows:

  ✓ $100 if paid on-time for 12 months
  ✓ $200 if paid on-time for 24 months
  ✓ $300 if paid on time for 36 months.

- Re-instatement Fee – Once an eviction is filed residents will be required to pay a reinstatement fee of $130, plus court cost of $140, in order to stop an eviction. CHN’s new lease now includes re-instatement fee language. Resident sign this new lease at the time of lease renewal.

- First offense with an eviction CHN will accept money; if second time under eviction, within 12 months of the first time, resident’s rent will not be accepted until they attend/complete a one-on-one budgeting class. Third offense within 12 months no money will be accepted; we will move forward with an eviction.

- As Property Managers and staff meet with residents, the resident is reminded that rent is due on the 1st of each month. We also include this information in the newsletter.

- Rent Payment Options – CHN offers the On-line Payment forms to all residents at Rent Window.
COUNSELING DOCUMENTS
(HOME OWNERSHIP PREPARATION)

• **Lease Purchase Readiness Intake Form**
  Completed at their first session and updated every 6 months

• **Counseling Checklist**
  Ensures the counselor collects all information needed from the client

• **Housing Counseling Agreement & Disclosure**
  Ensures that residents understand they have an agreement with the counselor to update their information, and have been provided with all required HUD forms

• **Privacy Policy**
  Describes how CHN uses their information (they can opt out)

• **Dual Agency Disclosure**
  HUD-required form notifying residents that, as the property owner, CHN keeps its counseling services separate from sales (to avoid conflict of interest)

• **Housing Expense Estimate**
  An easy-to-understand form that helps buyers see what they may be paying, and to whom

• **Credit Report & Rent Reporting**
  A credit report is pulled and reviewed every 6 months. At the first session, they are given an opt-in form to participate in Credit Builders’ Rent Reporting to help increase their credit scores

• **Rent Ledger**
  Not included here, but used to understand residents’ payment habits and see how many times they have paid late (provides an understanding of where counselors should focus their time)
Appendix B: Counseling Documents

- **Counseling Worksheet**
  Provides an at-a-glance financial picture of the resident (along with their budget)

- **Budget**
  Filled out every 6 months to track progress

- **Borrower Workplan**
  Customizable work plan done every 6 months to keep residents on track and provide a checklist of things the resident needs to work on for the next visit

- **Text Consent Form**
  Allows counselors to text reminders via cell phone

- **Home Inspection Disclosure & Questions**
  HUD-required document that informs residents they should get an inspection before purchasing

- **Counseling Commitment Letter & Work Plan**
  Helps keep residents on track
### Lease Purchase Readiness Intake Form

**Advisor:** ______________________  
**Partnership:** _____________________  
**Resident ID:** _____________________

(For Office Use)

**PLEASE PRINT CLEARLY**

<table>
<thead>
<tr>
<th>Last Name:</th>
<th>First Name:</th>
<th>Suffix:</th>
<th>Social Security Number:</th>
</tr>
</thead>
</table>

**Contact Info**

<table>
<thead>
<tr>
<th>Street Address:</th>
<th>City, State, &amp; Zip Code:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Home Phone #:</td>
<td>Cell Phone #:</td>
</tr>
<tr>
<td>E-mail Address:</td>
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</tbody>
</table>

**Demographics**

<table>
<thead>
<tr>
<th>Date of Birth:</th>
<th>Gender:</th>
<th>US Veteran?</th>
<th>Disabled?</th>
<th>Active Military?</th>
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</thead>
<tbody>
<tr>
<td>Marital Status:</td>
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<td></td>
</tr>
<tr>
<td>Ethnicity:</td>
<td>Race (select all that apply):</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Education Level:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than High School</td>
</tr>
<tr>
<td>Two Year College</td>
</tr>
<tr>
<td>Four Year Degree</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Household Size</th>
<th># of Dependents</th>
</tr>
</thead>
</table>

- Please list Names and Ages of Household Members
- Are Any Dependents Disabled? | Yes | No

<table>
<thead>
<tr>
<th>Household type:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female-headed Single Parent Household</td>
</tr>
<tr>
<td>Male-headed Single Parent Household</td>
</tr>
</tbody>
</table>

### General Questionnaire

- Do you have health insurance? | Yes | No
- Do you have internet at home? | Yes | No
- What is your primary method of transportation? | Own Car | Public Transit | Ride with Friends/Family |
- Where did you prepare your taxes last year? | Did my own Taxes | Paid someone | Paid National Chain |
| | Visited Free Tax Clinic | Someone did for free | Not required to file |
- How do you normally pay your rent? | Cash | Check | Money Order | Online Bill Pay | Other |
- What is the primary language spoken in your home? |
- Do any members of your family need special accommodations with regards to counseling? | Yes | No
- Do you want to buy your home? | Yes | No | Unsure |
- Why? ________________________________

### Consent & Authorization:

I certify that all provided information is correct to the best of my knowledge and have received a copy of CHN’s Privacy Policy.  
I authorize Cleveland Housing Network, Inc. to check and verify my credit report and all information contained on this form.

______________________________  __________________
Signature of Applicant            Date
### Employment Information

<table>
<thead>
<tr>
<th>Employment Status:</th>
<th>Primary Employer:</th>
<th>Rate of Pay ($/hr):</th>
<th>Hire Date:</th>
<th>Average Hrs/wk:</th>
<th># Years in this Field:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employed Full-Time</td>
<td>Title:</td>
<td></td>
<td></td>
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<tr>
<td>Employed Part-Time</td>
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</tr>
<tr>
<td>Retired</td>
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</tr>
<tr>
<td>Stay at home Parent</td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Student</td>
<td></td>
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<tr>
<td>Temporary/Permanently</td>
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<tr>
<td>Disabled</td>
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<tr>
<td>Unemployed</td>
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<tr>
<td>Other</td>
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<td>Secondary Employer:</td>
<td>Title:</td>
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<td></td>
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<tr>
<td>Hire Date:</td>
<td></td>
<td></td>
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<tr>
<td># Years in this Field:</td>
<td></td>
<td></td>
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<tr>
<td>How do you get paid:</td>
<td></td>
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<tr>
<td>How often do you get paid:</td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>How much control do you feel over your finances?</td>
<td>Yes</td>
<td>No</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>How worried are you about your finances?</td>
<td>Not Worried</td>
<td>Somewhat Worried</td>
<td>Very Worried</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Have you been to court for debt?</td>
<td>Yes</td>
<td>No</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Have you had any Pay Day Loans outstanding?</td>
<td>No</td>
<td>Just One</td>
<td>2-3</td>
<td>4 or more</td>
<td></td>
</tr>
<tr>
<td>Have you seen your Credit Report in the last 12 months?</td>
<td>Yes</td>
<td>No</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Have you declared Bankruptcy in past 3 years?</td>
<td>Yes</td>
<td>No</td>
<td></td>
<td></td>
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<tr>
<td>Have something Repossessed?</td>
<td>Yes</td>
<td>No</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Have you been Foreclosed in past 3 years?</td>
<td>Yes</td>
<td>No</td>
<td></td>
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</tr>
<tr>
<td>Have you had a Lien placed on you?</td>
<td>Yes</td>
<td>No</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Have you been taken to court for debt?</td>
<td>Yes</td>
<td>No</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>
## Counseling Checklist

TNT ID #: ____________

Name: _______________________________  S.S. #: _______________________________

Name: _______________________________  S.S. #: _______________________________

Address: _____________________________  Units: ____________  Current Rent $__________

Phone #: _______________________________

Years Renting: ____________  Price $ ____________

Employer: ___________________________  # of Years: ______  Credit Scores: ____ ____ ____

Date:                 ________                ________              ________

<table>
<thead>
<tr>
<th>Current Savings</th>
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<tbody>
<tr>
<td>Gross Income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Child Support</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Income</td>
<td></td>
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<tr>
<td>Other Income</td>
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<table>
<thead>
<tr>
<th>Total Income</th>
<th></th>
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<tbody>
<tr>
<td>40% Debt Ratio</td>
<td></td>
<td></td>
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<tr>
<td>Current Debt Payments (including child support)</td>
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| Max PITI                 |          |          |

### Document Checklist

<table>
<thead>
<tr>
<th>Photo ID:</th>
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<th>Utility Bills:</th>
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<tr>
<td>SS Cards:</td>
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<td>Credit Report:</td>
<td></td>
</tr>
<tr>
<td>Pay Stubs:</td>
<td></td>
<td>Readiness Letter:</td>
<td></td>
</tr>
<tr>
<td>W2's:</td>
<td></td>
<td>1040's:</td>
<td></td>
</tr>
<tr>
<td>Checking Statement:</td>
<td></td>
<td>Savings Statement:</td>
<td></td>
</tr>
<tr>
<td>Bankruptcy Papers:</td>
<td></td>
<td>Divorce Papers:</td>
<td></td>
</tr>
<tr>
<td>Award Letter:</td>
<td></td>
<td>1yr Child Support:</td>
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<tr>
<td>Proof of Payment:</td>
<td></td>
<td>Non Traditional Credit:</td>
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</tr>
<tr>
<td>Civil Judgments Docs:</td>
<td></td>
<td>Letter from Doctor SSI:</td>
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Rental History Date of Last Late Payment: __________________________________________

<table>
<thead>
<tr>
<th>Education / Class</th>
<th>Dates Attended</th>
<th>Counseling Dates</th>
</tr>
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<tbody>
<tr>
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</tbody>
</table>

Next Steps: __________________________________________________________________________

_____________________________________________________________________________________

Last Updated: ____________   Counselor: ____________________________________

---

**Appendix B: Counseling Checklist**
Cleveland Housing Network

Housing Counseling Agreement and Disclosure

- I agree to participate in housing and financial counseling sessions to help improve my housing situation. This can include:
  - Preparing a written action plan with recommendations for handling my finances
  - Possible referrals for additional resources.
- I understand that the counselors and staff of Cleveland Housing Network may review and discuss information on my personal credit history, including:
  - Obtaining credit reports now and into the future (up to 24 months),
  - Budget, cash flow, employment, bank statements,
  - Related family circumstances.
- I understand and consent for the counselors and/or their assistants to discuss and or exchange this information with representatives of other firms, lending institutions, utility companies, other creditors, project monitors, or other agencies as deemed necessary.
- I may be referred to other housing services of the organization or another agency as appropriate that may be able to assist with particular concerns that have been identified. I understand that I am not obligated to use any of the services offered to me. I further understand that Cleveland Housing Network provides information and education on numerous loan products and housing programs and the housing counseling I receive from Cleveland Housing Network in no way obligates me to choose any particular loan products or housing programs.
- I further understand and agree that, because the services being rendered are pursuant to programs which may be funded through government entities such as United Way, City of Cleveland, Cuyahoga County, State of Ohio, Congressional funds such as through the National Foreclosure Mitigation Counseling Program, or HUD, it will sometimes be necessary for CHN to release information specific to me and/or my personal and financial data to such entities (verbally, in writing, via computer database, or otherwise) as is requested or required by such entities for monitoring, compliance, and evaluation. Furthermore my data may be entered into a computer online client management database system for purposes of managing and processing my counseling or assistance.
- I authorize CHN to communicate any information related to my personal circumstances as may be necessary to improve my housing situation. I also authorize program administration to follow-up with me in the future. In the event I fail to contact CHN for any 90 day period following my initial consultation, my file will be considered inactive and closed.
- I acknowledge that I have received a copy of Cleveland Housing Network’s Community Training Centers’ Privacy Policy.
- I understand that CHN cannot provide me with legal advice or represent me in any court proceeding, including a foreclosure case. As a result, it is my responsibility to follow my legal case and respond accordingly, and obtain appropriate legal advice as needed.

Client signature(s) x_____________________________ Date____________

x_____________________________ Date____________

Counselor signature x_____________________________ Date__________
Cleveland Housing Network
Community Training Center

Privacy Policy

Cleveland Housing Network’s Community Training Center (CHN) is committed to assuring the privacy of individuals and/or families who have contacted us for assistance. We realize that the concerns you bring to us are highly personal in nature. We assure you that all information shared both orally and in writing will be managed within legal and ethical considerations. Your “nonpublic personal information,” such as your total debt information, income, living expenses and personal information concerning your financial circumstances, will be provided to creditors, program monitors, and others only with your authorization and signature on the Agreement and Disclosure. We may also use anonymous aggregated case file information for the purpose of evaluating our services, gathering valuable research information and designing future programs.

Types of information that we gather about you
• Information we receive from you orally, on applications or other forms, such as your name, address, social security number, assets, and income;
• Information about your transactions with us, your creditors, or others, such as your account balance, payment history, parties to transactions and credit card usage; and
• Information we receive from a credit reporting agency, such as your credit history.

You may opt-out of certain disclosures
1. You have the opportunity to “opt-out” of disclosures of your nonpublic personal information to third parties (such as your creditors), that is, direct us not to make those disclosures.

2. If you choose to “opt-out”, we will not be able to answer questions from your creditors. If at any time, you wish to change your decision with regard to your “opt-out”, you may call us at 216-881-8443 and do so.

Release of your information to third parties
1. So long as you have not opted-out, we may disclose some or all of the information that we collect, as described above, to your creditors or third parties where we have determined that it would be helpful to you, would aid us in counseling you, or is a requirement of grant awards which make our services possible.

2. We may also disclose any nonpublic personal information about you or former customers to anyone as permitted by law (e.g., if we are compelled by legal process).

3. Within the organization, we restrict access to nonpublic personal information about you to those employees who need to know that information to provide services to you. We maintain physical, electronic and procedural safeguards that comply with federal regulations to guard your nonpublic personal information.
Dual Agency Disclosure

Dual Agency

The following disclosure and acknowledgement apply to those transactions in which the real estate agent/broker representing the seller and the home ownership readiness counselor consulting with you are employed by the same entity.

Your Rights Under Dual Agency

We wish to explain what dual agency means to you. As a real estate licensee, Cleveland Housing Network sells residential real property owned by Cleveland Housing Network. In this capacity, Cleveland Housing Network’s primary responsibility is to itself as the seller of real property.

As a counselor, Cleveland Housing Network counsels you in preparing for home ownership. In this capacity, Cleveland Housing Network’s primary responsibility is to you. You are not obligated to purchase residential real property owned by Cleveland Housing Network as a condition of receiving counseling services from Cleveland Housing Network.

By making this disclosure, Cleveland Housing Network wished to obtain your informed consent to operate in a dual agency capacity. You may retain the services of a real estate agent/broker or a counselor who will represent only your interest in the transaction.

If you choose to use the Counseling Services of Cleveland Housing Network, your information will not be shared with the Sales department of Cleveland Housing Network without your express permission on a signed release form.

Since Cleveland Housing Network is not a legal expert or an attorney, you may wish you consult an attorney before signing this form.

Consent to Dual Agency

By signing below, you acknowledge that you have received and read this disclosure notice. You also acknowledge that you understand that as a real estate agent/broker Cleveland Housing Network may be acting in its own best interests relative to the sale of residential real property owned by Cleveland Housing Network. Finally, by signing below, you consent to the dual agency.

Print Name

Print Name

Signature Date

Signature Date
Appendix B: Housing Expense Estimate

Housing Expense Estimate

Mortgage Term:
- Mortgage Payment
  - $
  - Lender or Servicer

Real Estate Taxes
- $
- County Treasurer

Insurance
- $
- Insurance Agent

Utilities
- $
- Utility Companies

Home Maintenance Savings
- $
- Bank/Credit Union

Total Cost: $
Appendix B: Credit Report & Rent Reporting

Cleveland Housing Network and Credit Builders Alliance Rent Reporting Pilot

As a Cleveland Housing Network resident you have been selected for a great opportunity to build your credit. Now you can improve your credit just by making timely rent payments.

This letter is to notify you that starting September of 2013 CHN has been reporting on time rent payments for residents that provide consent to Experian – one of the three main credit reporting agencies as part of the Rent Reporting Pilot.

The intent of this program is to provide you with the opportunity to establish and/or help you build credit through your timely rent payments. We want our residents to get the same benefit from making their rent payments that homeowners get from paying their mortgage.

Notice and Consent for Release of Information

In signing this Notice and Consent for Release of Information, you are authorizing the Cleveland Housing Network, Inc. (CHN) to disclose your personally identifiable information and positive rental payment information to Experian and/or Experian RentBureau for the purposes of adding this information to your Experian credit report.

In order for the CHN to report your positive rental payment information to Experian and/or Experian RentBureau, the primary Head of Household must sign this Consent Form.

I have read and understand the information contained in this Consent Form regarding the purposes and uses of my personally identifiable information, and I consent to the release of my personally identifiable information for these purposes and uses.

Signed Name:

__________________________________________

Printed Name:

__________________________________________

Date

__________________________________________

Last 4 digits of Social Security Number

__________________________________________

Tenant Identification Number

__________________________________________
### Counseling Worksheet

<table>
<thead>
<tr>
<th>Counseling Worksheet</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name:</td>
<td></td>
</tr>
<tr>
<td>Address:</td>
<td></td>
</tr>
<tr>
<td>SSN:</td>
<td></td>
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<tr>
<td>Paternership:</td>
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<tr>
<td>Move-In Date:</td>
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<tr>
<td>Employment/Title:</td>
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<tr>
<td>Monthly Income:</td>
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</tr>
<tr>
<td>Wages</td>
<td></td>
</tr>
<tr>
<td>Other Income</td>
<td></td>
</tr>
<tr>
<td>AGI 2012</td>
<td></td>
</tr>
<tr>
<td>Monthly Debt Obligations (Min. Payments)</td>
<td>$</td>
</tr>
<tr>
<td>Total Debt/Current Balances</td>
<td>$</td>
</tr>
<tr>
<td>Checking</td>
<td>$</td>
</tr>
<tr>
<td>Saving</td>
<td>$</td>
</tr>
<tr>
<td>401 K</td>
<td>$</td>
</tr>
<tr>
<td>Total Assets</td>
<td>$</td>
</tr>
<tr>
<td>Current Income</td>
<td>$</td>
</tr>
<tr>
<td>DTI</td>
<td>$</td>
</tr>
<tr>
<td>Bankruptcy</td>
<td></td>
</tr>
<tr>
<td>Year Discharged</td>
<td></td>
</tr>
<tr>
<td>Judgements</td>
<td></td>
</tr>
<tr>
<td>Tax Liens</td>
<td></td>
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<td>Cash Flow</td>
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<tr>
<td>Current Debt</td>
<td>$</td>
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<tr>
<td>Mx PITI 40%</td>
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</table>
### Income

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Wages Primary Job</td>
<td>0.00</td>
</tr>
<tr>
<td>Gross Wages Other Job</td>
<td>0.00</td>
</tr>
<tr>
<td>Gross Wages Other Job</td>
<td>0.00</td>
</tr>
<tr>
<td>SSI/SSDI</td>
<td>0.00</td>
</tr>
<tr>
<td>Child Support</td>
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</tr>
<tr>
<td>Interest/dividends</td>
<td>0.00</td>
</tr>
<tr>
<td>Pension</td>
<td>0.00</td>
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<tr>
<td>Miscellaneous</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>Gross Income totals</strong></td>
<td>0.00</td>
</tr>
</tbody>
</table>

#### Payroll / Gross Income Deductions

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Monthly Net Employment</td>
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</tr>
<tr>
<td>Other Net Income</td>
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</tr>
<tr>
<td>Other Net Income</td>
<td>0.00</td>
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<tr>
<td>Other Net Income</td>
<td>0.00</td>
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<tr>
<td>Other Net Income</td>
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<tr>
<td><strong>NET INCOME</strong></td>
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</tbody>
</table>

### Expenses

#### Home

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rent/Mortgage</td>
<td>0.00</td>
</tr>
<tr>
<td>Heating (gas or oil)</td>
<td>0.00</td>
</tr>
<tr>
<td>Electricity</td>
<td>0.00</td>
</tr>
<tr>
<td>Water/sewer</td>
<td>0.00</td>
</tr>
<tr>
<td>Telephone land line</td>
<td>0.00</td>
</tr>
<tr>
<td>Cell phone and pager</td>
<td>0.00</td>
</tr>
<tr>
<td>Renter or home insurance</td>
<td>0.00</td>
</tr>
<tr>
<td>Taxes</td>
<td>0.00</td>
</tr>
<tr>
<td>Maintenance security furnishings</td>
<td>0.00</td>
</tr>
<tr>
<td>Cleaning supplies</td>
<td>0.00</td>
</tr>
<tr>
<td>Lawn service</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>Home totals</strong></td>
<td>0.00</td>
</tr>
</tbody>
</table>

#### Transportation

<table>
<thead>
<tr>
<th>Description</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Gas</td>
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</tr>
<tr>
<td>Car Payment</td>
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</tr>
<tr>
<td>Car Insurance</td>
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</tr>
<tr>
<td>Car Inspection</td>
<td>0.00</td>
</tr>
<tr>
<td>Car repairs and maintenance</td>
<td>0.00</td>
</tr>
<tr>
<td>License plate and registration</td>
<td>0.00</td>
</tr>
<tr>
<td>Category</td>
<td>Amount</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>--------</td>
</tr>
<tr>
<td>Public transportation and taxi</td>
<td>0.00</td>
</tr>
<tr>
<td>Parking tolls</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>Transportation totals</strong></td>
<td>0.00</td>
</tr>
<tr>
<td><strong>Food</strong></td>
<td></td>
</tr>
<tr>
<td>Groceries</td>
<td>0.00</td>
</tr>
<tr>
<td>School lunches</td>
<td>0.00</td>
</tr>
<tr>
<td>Work lunch and snacks</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>Food totals</strong></td>
<td>0.00</td>
</tr>
<tr>
<td><strong>Insurance</strong></td>
<td></td>
</tr>
<tr>
<td>Health if not payroll</td>
<td>0.00</td>
</tr>
<tr>
<td>Life</td>
<td>0.00</td>
</tr>
<tr>
<td>Disability</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>Insurance totals</strong></td>
<td>0.00</td>
</tr>
<tr>
<td><strong>Medical</strong></td>
<td></td>
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<tr>
<td>Doctor</td>
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<tr>
<td>Dentist</td>
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<td>Prescriptions</td>
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<td><strong>Medical totals</strong></td>
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<tr>
<td><strong>Child Care</strong></td>
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<tr>
<td>Childcare or babysitters</td>
<td>0.00</td>
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<tr>
<td>Child support or alimony</td>
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<td><strong>Child Care totals</strong></td>
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<tr>
<td><strong>Clothing</strong></td>
<td></td>
</tr>
<tr>
<td>Clothing</td>
<td>0.00</td>
</tr>
<tr>
<td>Laundry and dry cleaning</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>Clothing totals</strong></td>
<td>0.00</td>
</tr>
<tr>
<td><strong>Donations</strong></td>
<td></td>
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<tr>
<td>Faith based or charity</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>Donations totals</strong></td>
<td>0.00</td>
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<tr>
<td><strong>Education</strong></td>
<td></td>
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<tr>
<td>Tuition</td>
<td>0.00</td>
</tr>
<tr>
<td>Books papers and supplies</td>
<td>0.00</td>
</tr>
<tr>
<td>Newspapers and magazines</td>
<td>0.00</td>
</tr>
<tr>
<td>Lessons sports dance music</td>
<td>0.00</td>
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<tr>
<td><strong>Education totals</strong></td>
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<tr>
<td><strong>Gifts</strong></td>
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<td>Birthdays</td>
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<td><strong>Gifts totals</strong></td>
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<tr>
<td>Category</td>
<td>Amount</td>
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<tr>
<td>--------------------------------</td>
<td>----------</td>
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<td>Major Holidays</td>
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<td><strong>Gifts totals</strong></td>
<td>0.00</td>
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<tr>
<td><strong>Personal</strong></td>
<td></td>
</tr>
<tr>
<td>Barber or Beauty Shop</td>
<td>0.00</td>
</tr>
<tr>
<td>Toiletries</td>
<td>0.00</td>
</tr>
<tr>
<td>Childrens allowance</td>
<td>0.00</td>
</tr>
<tr>
<td>Tobacco products</td>
<td>0.00</td>
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<tr>
<td>Beer wine or liquor</td>
<td>0.00</td>
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<tr>
<td><strong>Personal totals</strong></td>
<td>0.00</td>
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<tr>
<td><strong>Entertainment</strong></td>
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<tr>
<td>Movies sports concerts</td>
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<tr>
<td>Video rentals</td>
<td>0.00</td>
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<tr>
<td>Internet service</td>
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<tr>
<td>Cable satellite</td>
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<tr>
<td>Restaurante take out meals</td>
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<tr>
<td>Gambling and lottery tickets</td>
<td>0.00</td>
</tr>
<tr>
<td>Fitness and Social Clubs</td>
<td>0.00</td>
</tr>
<tr>
<td>Vacations and trips</td>
<td>0.00</td>
</tr>
<tr>
<td>Hobbies or crafts</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>Entertainment totals</strong></td>
<td>0.00</td>
</tr>
<tr>
<td><strong>Miscellaneous</strong></td>
<td></td>
</tr>
<tr>
<td>Checking fees money orders</td>
<td>0.00</td>
</tr>
<tr>
<td>Pet care and supplies</td>
<td></td>
</tr>
<tr>
<td>Postage</td>
<td>0.00</td>
</tr>
<tr>
<td>Pictures and photo processing</td>
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<tr>
<td>Mad Money</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>Miscellaneous totals</strong></td>
<td>0.00</td>
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<tr>
<td><strong>Debts</strong></td>
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<tr>
<td>Student Loan</td>
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<tr>
<td>Credit Card minimum</td>
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<tr>
<td>Credit Card minimum</td>
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<tr>
<td>Credit Card minimum</td>
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<tr>
<td>Medical bills</td>
<td>0.00</td>
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<td>Debt Mgmt or consolidation</td>
<td>0.00</td>
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<tr>
<td>Garnishments</td>
<td>0.00</td>
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<tr>
<td>Other</td>
<td>0.00</td>
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<tr>
<td>Other</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>Debts totals</strong></td>
<td>0.00</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>0.00</td>
</tr>
<tr>
<td>Cash short/ extra</td>
<td>0.00</td>
</tr>
</tbody>
</table>
## Borrower Work Plan

Community Training Center  
2999 Payne Ave. Suite 134  
Cleveland, OH 44114  
Phone: 216-881-8443 Fax: 216-881-5319

<table>
<thead>
<tr>
<th>Action</th>
<th>Reason</th>
<th>Expected Completion Date</th>
<th>Date Completed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Complete home buying counseling by meeting with your advisor every six months</td>
<td>Requirement for the Lease Purchase Program</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Continue to Pay Rent on time</td>
<td>To be considered for financing, regular on-time monthly payments are required</td>
<td>Monthly moving forward</td>
<td></td>
</tr>
<tr>
<td>Continue to pay open credit obligations on time</td>
<td>To increase or stabilize credit scores</td>
<td>Monthly moving forward</td>
<td></td>
</tr>
<tr>
<td>Enroll and attend 4 Homeownership, 4 Money Management &amp; 2 Elective Workshops</td>
<td>Requirement for the Lease Purchase Program</td>
<td>ASAP</td>
<td></td>
</tr>
<tr>
<td>Look for ways to cut back and reduce spending</td>
<td>To prioritize rent and utilities before discretionary expenses (wants) and plan ahead for the month. To decrease spending and increase saving</td>
<td>Monthly moving forward</td>
<td></td>
</tr>
</tbody>
</table>

In order to continue moving forward with your case, the items on the above work plan need to be completed. Please review the actions listed above and sign below demonstrating that you understand what needs to be completed.

________________________________        ______________________________________ _____________  
Borrower (Printed)    Borrower (Signed)    Date  

________________________________        ______________________________________ _____________  
Co-Borrower (Printed)    Co-Borrower (Signed)    Date  

________________________________        ______________________________________ _____________  
Counselor (Printed)    Counselor (Signed)    Date
TEXT CONSENT FORM

I would like to receive text messages for the following:

- Class reminders
- Appointment reminders
- Special campaigns
- Surveys, polls, or information gathering campaigns

I, __________________________, agree to receive text messages to the number __________________________
for the items listed above.

__________________________________________
Print Name

__________________________________________
Mobile Number

__________________________________________
Signature

__________________________________________
Date

By providing your mobile number, you agree to receive text messages from Cleveland Housing Network via its mobile text message provider, MessageMedia. You may opt out of receiving messages by texting the word STOP to any text message you receive from Cleveland Housing Network.

While CHN or its mobile text message provider, MessageMedia, will not charge end users for receiving/responding to promotional messages, depending on the terms of your mobile phone plan, you may incur a cost from your mobile service carrier to receive and respond to any promotional text messages (standard messaging and data rates/fees and other charges may apply). Charges will appear on your mobile phone bill or will be deducted from pre-paid amounts.

If you have any questions about these text messages, please reply the word HELP to the message that you receive or call Cleveland Housing Network at 216-881-8443. You may also reach MessageMedia support at 866-751-8337 or support@message-media.com should you have any questions pertaining to the SMS messages. Cleveland Housing Network and its mobile text message provider, MessageMedia, will unsubscribe you immediately – however, you will receive one final confirmation message stating that you have been unsubscribed from receiving text messages. Cleveland Housing Network and its partner, MessageMedia, will not share your information with any other party.
For Your Protection: Get a Home Inspection

Name of Buyer

Property Address

What the FHA Does for Buyers... and What We Don't Do

What we do: FHA helps people become homeowners by insuring mortgages for lenders. This allows lenders to offer mortgages to first-time buyers and others who may not qualify for conventional loans. Because the FHA insures the loan for the lender, the buyer pays only a very low downpayment.

What we don't do: FHA does not guarantee the value or condition of your potential new home. If you find problems with your new home after closing, we can not give or lend you money for repairs, and we can not buy the home back from you.

That's why it's so important for you, the buyer, to get an independent home inspection. Ask a qualified home inspector to inspect your potential new home and give you the information you need to make a wise decision.

Appraisals and Home Inspections are Different

As part of our job insuring the loan, we require that the lender conduct an FHA appraisal. An appraisal is different from a home inspection. Appraisals are for lenders; home inspections are for buyers. The lender does an appraisal for three reasons:
• to estimate the value of a house
• to make sure that the house meets FHA minimum property standards
• to make sure that the house is marketable

Appraisals are not home inspections.

I understand the importance of getting an independent home inspection. I have thought about this before I signed a contract with the seller for a home.

X __________________________ X __________________________
Signature & Date
Signature & Date

Form HUD-92564-CN
Ten Important Questions to Ask Your Home Inspector

1. What does your inspection cover?
The inspector should ensure that their inspection and inspection report will meet all applicable requirements in your state if applicable and will comply with a well-recognized standard of practice and code of ethics. You should be able to request and see a copy of these items ahead of time and ask any questions you may have. If there are any areas you want to make sure are inspected, be sure to identify them upfront.

2. How long have you been practicing in the home inspection profession and how many inspections have you completed?
The inspector should be able to provide his or her history in the profession and perhaps even a few names as referrals. Newer inspectors can be very qualified, and many work with a partner or have access to more experienced inspectors to assist them in the inspection.

3. Are you specifically experienced in residential inspection?
Related experience in construction or engineering is helpful, but is no substitute for training and experience in the unique discipline of home inspection. If the inspection is for a commercial property, then this should be asked about as well.

4. Do you offer to do repairs or improvements based on the inspection?
Some inspector associations and state regulations allow the inspector to perform repair work on problems uncovered in the inspection. Other associations and regulations strictly forbid this as a conflict of interest.

5. How long will the inspection take?
The average on-site inspection time for a single inspector is two to three hours for a typical single-family house. Anything significantly less may not be enough time to perform a thorough inspection. Additional inspectors may be brought in for very large properties and buildings.

6. How much will it cost?
Costs vary dramatically, depending on the region, size and age of the house, scope of services and other factors. A typical range might be $300-$500, but consider the value of the home inspection in terms of the investment being made. Cost does not necessarily reflect quality. HUD does not regulate home inspection fees.

7. What type of inspection report do you provide and how long will it take to receive the report?
Ask to see samples and determine whether or not you can understand the inspector’s reporting style and if the time parameters fulfill your needs. Most inspectors provide their full report within 24 hours of the inspection.

8. Will I be able to attend the inspection?
This is a valuable educational opportunity, and an inspector’s refusal to allow this should raise a red flag. Never pass up this opportunity to see your prospective home through the eyes of an expert.

9. Do you maintain membership in a professional home inspector association?
There are many state and national associations for home inspectors. Request to see their membership ID, and perform whatever due diligence you deem appropriate.

10. Do you participate in continuing education programs to keep your expertise up to date?
One can never know it all, and the inspector’s commitment to continuing education is a good measure of his or her professionalism and service to the consumer. This is especially important in cases where the home is much older or includes unique elements requiring additional or updated training.

I acknowledge that I have been provided a copy of HUD form 92564-CN “For Your Protection: Get A Home Inspection”. I have also been given a list of HUD’s” Ten Important Questions to Ask Your Home Inspector”

Sign                                      Date
Counseling Commitment Letter & Work Plan

| Reviewed purchase price, residency credit, and date of purchase. | Counselor Initials | Client Initials |
| Reviewed and certified income. | | |
| Reviewed credit report. | | |
| Reviewed budget and devised new spending plan. | | |
| Reviewed estimated payments including taxes, insurance, etc. (if applicable at time of interview) | | |
| Reviewed work plan and further actions to be taken. | | |

By signing this commitment letter, you __________________________ agree to participate in the CHN Lease Purchase Counseling program. Participation in this program is an important step in ensuring successful homeownership.

○ __________________________ further agrees that in connection with participating in the Lease Purchase Counseling program, he/she will be required to do complete and adhere to the Lease Purchase Resident Work Plan.

○ __________________________ further agrees to update his/her personal information with CHN, including but not limited to the following:

1. Phone numbers (day, evening, cell)
2. Job related changes (promotion, increase in income, decrease in income)
3. Credit changes (paid-offs, new accounts, new inquiries, increase/decrease in balances, etc.)

Any questions regarding homeownership and your continuing obligation under this agreement should be discussed with CHN.

I have read and understand the requirements of the Lease Purchase Program, and agree to participate in the program. I further understand that my compliance with the terms of this program will provide me with the information and tools necessary to enhance the homeownership process.

Agreed to by

__________________________ on ____________________________

Participant Signature Date

__________________________ on ____________________________

Participant Signature Date

__________________________ on ____________________________

Counselor Signature Date
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Y16 SALES DOCUMENTS

• Year 16 Checklist
  Ensures all information is collected to determine bankability and readiness to proceed for sales committee review

• Housing Expenses Estimate
  An easy-to-understand visual for buyers, explaining what they are likely to pay in housing expenses (and to whom) when they become homeowners

• Estimated Cost Sheet
  Reviews buyer’s closing costs and who will be responsible for each line item

• Purchase Proposal
  A formal, signed estimate to buyers detailing their expected finance package, including a comparison of expected monthly costs after purchase versus current monthly costs as a renter

• Borrower’s Authorization for Counseling
  Authorizes CHN to intervene with counseling, should buyers fall behind on mortgage payments
CHN Year 16 Checklist

<table>
<thead>
<tr>
<th>Partnership: ___________________</th>
<th>AMI%: ______________</th>
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</thead>
<tbody>
<tr>
<td>Buyer: __________________________</td>
<td>Buyer: __________________________</td>
</tr>
<tr>
<td>Property: ________________________</td>
<td>Phone: (Home)________________________</td>
</tr>
<tr>
<td>Sales Counselor: __________________</td>
<td>(Work) ________________________</td>
</tr>
<tr>
<td>Current Rent: _____________</td>
<td>(Cell) ________________________</td>
</tr>
<tr>
<td>Total Income: ______________</td>
<td>Max Debt Amount: ______________ 40% of income of monthly income</td>
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**DOCUMENTATION REQUIREMENTS**

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<tr>
<th>Borrowers Information</th>
<th>REQUESTED</th>
<th>RECEIVED</th>
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<tbody>
<tr>
<td>● Request for Information Form (ALL BORROWERS) W/Signed Authorization</td>
<td></td>
<td></td>
</tr>
<tr>
<td>● Marital Status <strong>Single</strong> Married__ Divorced__ Widowed__ Spouse to release dower</td>
<td></td>
<td></td>
</tr>
<tr>
<td>● Buyer Review signed by Borrower (s) &amp; Sales Counselor (each appointment)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>● Repairs requested to Purchase Yes or NO /Email sent to Dana/Copy in File</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Credit Report - Tri-Merged**

<table>
<thead>
<tr>
<th>Monthly Debts: ____________</th>
</tr>
</thead>
<tbody>
<tr>
<td>● Credit Report/Transunion only if more than 90 days old</td>
</tr>
<tr>
<td>● Repayment Letter for Delinquent/Defaulted Student Loans/Deferment Letter</td>
</tr>
<tr>
<td>● Bankruptcy discharged: Yes or No</td>
</tr>
</tbody>
</table>

**Rent Verification**

<table>
<thead>
<tr>
<th>Monthly Debts: ____________</th>
</tr>
</thead>
<tbody>
<tr>
<td>● Verified 24 months/Explanation Letter for payments past 10th</td>
</tr>
<tr>
<td>How Long? _______ X30 Rental History Printed _______</td>
</tr>
</tbody>
</table>

**Verification of Employment**

<table>
<thead>
<tr>
<th>Monthly Income: ____________</th>
</tr>
</thead>
<tbody>
<tr>
<td>● Verification of Employment</td>
</tr>
<tr>
<td>● 2 most recent pay stubs</td>
</tr>
<tr>
<td>● Full tax return and all W2's</td>
</tr>
</tbody>
</table>

**Self-Employed Income**

<table>
<thead>
<tr>
<th>Monthly Income: ____________</th>
</tr>
</thead>
<tbody>
<tr>
<td>● Tax Return for the last 3 years</td>
</tr>
<tr>
<td>***use 3 yr average</td>
</tr>
</tbody>
</table>

**Other Sources of Income (Social Security, Child Support)**

<table>
<thead>
<tr>
<th>Monthly Income: ____________</th>
</tr>
</thead>
<tbody>
<tr>
<td>● Most recent Award Letter</td>
</tr>
<tr>
<td>● County print out with 12 month history</td>
</tr>
<tr>
<td>● Retirement Income</td>
</tr>
</tbody>
</table>

**Assets**

<table>
<thead>
<tr>
<th>Monthly Income: ____________</th>
</tr>
</thead>
<tbody>
<tr>
<td>● 2 most recent bank statements</td>
</tr>
<tr>
<td>If Bankable, verify funds to close Funds Available: ____________</td>
</tr>
</tbody>
</table>

**Homebuyer Education (COMPLETED PRIOR TO TRANSFER)**

<table>
<thead>
<tr>
<th>YES</th>
<th>NO</th>
</tr>
</thead>
<tbody>
<tr>
<td>● Certificate in file Date Requested</td>
<td></td>
</tr>
<tr>
<td>If no, scheduled date</td>
<td></td>
</tr>
</tbody>
</table>

**Repairs requested to Purchase**

<table>
<thead>
<tr>
<th>YES</th>
<th>NO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Email to Dana Date (copy in file)</td>
<td></td>
</tr>
</tbody>
</table>

**Homebuyer Education (COMPLETE PACKAGE)**

<table>
<thead>
<tr>
<th>YES</th>
<th>NO</th>
</tr>
</thead>
<tbody>
<tr>
<td>● Most Recent Bank Statement __ Current Household Income ____ No Income Verification Form ____</td>
<td></td>
</tr>
<tr>
<td>● Tax Return &amp; W2 ______ HBE Certificate ____ Financial Literacy Certificate ____</td>
<td></td>
</tr>
</tbody>
</table>

**Downpayment Assistance (COMPLETE PACKAGE)**

<table>
<thead>
<tr>
<th>YES</th>
<th>NO</th>
</tr>
</thead>
<tbody>
<tr>
<td>● DPA Form __ Current Household Income ____ No Income Verification Form ____ Tax Return &amp; W2 _____</td>
<td></td>
</tr>
<tr>
<td>● HBE Certificate ____</td>
<td></td>
</tr>
</tbody>
</table>

**COMPLETED BY REVIEWER**

Meets CHN requirements: ____________

Ready for Committee Review: ____________ Transfer Approved By: _____________________
Appendix C: Housing Expense Estimate

MONTHLY HOUSING EXPENSES - ESTIMATE

**Buyer:**

- **MORTGAGE PAYMENT**
  - **$281.25**
  - **PAY TO**
  - CHN
  - DUE ON THE
  - FIRST OF EACH
  - MONTH

- **REAL ESTATE TAXES**
  - **$70.00**
  - **PAY TO**
  - COUNTY TREASURER
  - DUE JANUARY
  - AND JULY
  - EVERY YEAR

- **INSURANCE**
  - **$75.00**
  - **PAY TO**
  - INSURANCE AGENT
  - RENEWS EVERY
  - YEAR

- **WATER & SEWER**
  - **$80.00**
  - **PAY TO**
  - DIVISION OF WATER
  - DUE EVERY
  - THREE
  - MONTHS

- **HOME MAINTENANCE**
  - **$50**
  - **PAY TO**
  - BANK SAVINGS ACCOUNT

**Total Cost**

- **$556.25**

*Buyer's Initials: ____________

*Buyer's Initials: ____________
## ESTIMATED COST SHEET

**BUYER:**

**PROPERTY:**

**THE BUYER'S COST ARE INCLUDED IN THE CHN LOAN**

<table>
<thead>
<tr>
<th>SETTLEMENT CHARGES</th>
<th>BUYER</th>
<th>SELLER</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. SETTLEMENT FEE</td>
<td>$210.00</td>
<td>$210.00</td>
</tr>
<tr>
<td>2. UPDATE/FILING FEE</td>
<td>$7.50</td>
<td>$17.50</td>
</tr>
<tr>
<td>3. TITLE EXAM FEE</td>
<td>$200.00</td>
<td></td>
</tr>
<tr>
<td>4. TITLE INSURANCE BINDER</td>
<td>$50.00</td>
<td></td>
</tr>
<tr>
<td>5. COURIER/SHIPPING/ADMIN FEE</td>
<td>$35.00</td>
<td>$10.00</td>
</tr>
<tr>
<td>6. TITLE INSURANCE</td>
<td>$87.50</td>
<td>$87.50</td>
</tr>
<tr>
<td>7. AFFIRMATIVE COVERAGE</td>
<td>$100.00</td>
<td></td>
</tr>
<tr>
<td>8. RECORDING FEE</td>
<td>$100.00</td>
<td>$28.00</td>
</tr>
<tr>
<td>9. CONVEYANCE FEE</td>
<td></td>
<td>$100.00</td>
</tr>
<tr>
<td>10. CITY DISCLOSURE FORM</td>
<td></td>
<td>$60.00</td>
</tr>
<tr>
<td>11. SERVICING FEE (CHN)</td>
<td>$200.00</td>
<td>$50.00</td>
</tr>
<tr>
<td>12. HAZARD INSURANCE (FIRST YEAR)</td>
<td>$960.00</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL ESTIMATED COSTS</strong></td>
<td><strong>$1,750.00</strong></td>
<td><strong>$763.00</strong></td>
</tr>
</tbody>
</table>

**THIS INFORMATION IS PREPARED AS AN ESTIMATE ONLY AND IS NOT A GUARANTEE OF FINAL COST.**

______________________________________________
Signature Date

______________________________________________
Signature Date
PROPOSAL DATE:
THE ABOVE INFORMATION IS AN ESTIMATE AND SUBJECT TO CHANGE.
Buyer: JANE SMITH FOR SALE DATE: JANUARY, 2014

Property: 1111 MAIN STREET

Purchase Price: $29,750.00
Residency Credit: $10,000.00 $1,000/yr., up to 10 years of residency*

Adjusted Purchase Price: $19,750.00
Estimate Closing Cost: $1,750.00 subject to change
(includes insurance policy)

Total Cost to Purchase: $21,500.00 (adjusted price plus closing cost)

City Deferred Loan $8,000.00 0% deferred until resale
Down Payment Assistance TBD if eligible
CASH Down Payment TBD if saved by buyer

Amount Financed: $13,500.00 (total cost minus loans minus down payment)

Term: 48 (number of monthly payments)
Interest: 0%
Payment: $281.25 Fully repaid in four years

OTHER HOUSING EXPENSES:

Property Taxes: $70.00 (estimated monthly payment to county treasurer)
Homeowners Insurance: $75.00 (estimated monthly payment to insurance company)
Water & Sewer: $80.00 (estimated monthly payment based on household size)
Gas & Electricity No change (already paid by resident)
Add'l Maintenance Expenses: $50.00

Total New Housing Expenses: $275.00

Total After Purchase: $556.25

Current Rental Payment: $575.00

Monthly Savings - Yr 1-4 $18.75 Includes seller financed debt service

Monthly Savings - Yr 5 forward $300.00 Home owned free & clear, except $8,000 deferred until resale 0% city loan

Buyer: ________________________ Sales Counselor: ________________________
Borrower’s Authorization for Counseling

If I fail to make any monthly mortgage payment as agreed, I understand that Cleveland Housing Network will refer me to CHN’s Community Resource Center or a third-party counseling organization, which will advise me about finding ways to meet my mortgage loan obligation. I hereby authorize Cleveland Housing Network to release information to the CRC or such third-party counseling organization, and request that the counseling party contact me to schedule a face to face counseling session.

I further hereby authorize the CRC or third-party counseling organization to make a recommendation about appropriate action to take with regard to my mortgage loan, which may assist Cleveland Housing Network in determining whether to offer extraordinary services that could preserve my homeownership.

Borrower Signature ____________________________ Date ____________________________

Borrower Signature ____________________________ Date ____________________________