

HOMEBUYER DISCLOSURE STATEMENT

For Projects in Which Affordability Restrictions Survive Foreclosure

You (the Homebuyer) have expressed an interest in, or are about to purchase, a home located at _____, _____, Massachusetts (the "Municipality") at less than the home's fair market value. The home was constructed under a state or federal housing subsidy program that requires that this home be sold to a purchaser who meets certain income, asset and, in some cases, age limitations (an "Eligible Purchaser"). In exchange for the opportunity to purchase the home at less than its fair market value, you must agree to certain use and transfer restrictions. These restrictions are described in detail in an Affordable Housing Restriction that will be attached to the deed to your home (the "Restriction").

This Homebuyer Disclosure Statement summarizes the restrictions and requirements imposed by the Restriction. **YOU SHOULD READ THE RESTRICTION IN ITS ENTIRETY BECAUSE IT IMPOSES LEGAL REQUIREMENTS.**

I. Principal Residence

You and your household must occupy and use the home you purchase exclusively as your primary residence during the period the home is owned by you.

II. Required Consents from the Monitoring Agent

You must obtain the prior written consent of _____ (the "Monitoring Agent") before you do any of the following:

- a. Lease or rent the home;
- b. Refinance any loan secured by a mortgage on the home (except for a refinancing of the loan you obtain to purchase the home, so long as the amount of that loan is not more than the purchase price you paid);
- c. Grant any other mortgage (such as a home equity loan mortgage) or other encumbrance (such as an easement) on the home; and/or
- d. Make any Capital Improvements (defined in Section III below) to the home, if you wish to get credit for those costs (at a discounted rate) when you sell your home.

The Monitoring Agent's contact information is listed in the Restriction.

If the Monitoring Agent consents to any lease, rental, refinancing, mortgage or other encumbrance, the Monitoring Agent will calculate the actual carrying costs for the home, and

you will be required to pay to the Municipality any amount of the rents, profits or other proceeds relating to the approved event that exceeds the actual carrying costs. If you do not obtain any required consent from the Monitoring Agent, the Monitoring Agent or the Municipality can require you to pay to the Municipality all rents, profits or other proceeds from the event that required consent. You will also be responsible for any costs of collection of the Monitoring Agent and/or the Municipality, including attorney's fees.

The Restriction may require that a resale fee be paid to the Monitoring Agent for its work required in connection with any resale of the home, as described below. Although not stated in the Restriction, the Monitoring Agent may assess a reasonable fee for reviewing any request for its consent. Currently, this fee will not exceed \$75 per request. The Monitoring Agent will notify you in writing if the review fee increases.

III. Resale Requirements

When/if you decide to sell your home, you may not sell the home for more than what you paid for it, with limited adjustments. You are also required to give written notice to the Monitoring Agent and the Municipality of your desire to sell so that they may locate an Eligible Purchaser for the home.

The allowed sale price is defined in the Restriction as the "Maximum Resale Price." The "Maximum Resale Price" is calculated by adjusting the purchase price you paid for the home to reflect any increase in the area median income from the time you purchased the home to the time of the proposed resale, and adding (a) the amount of any applicable Resale Fee payable to the Monitoring Agent, (b) any necessary marketing fees (including broker's fee) approved by the Monitoring Agent, and (c) the costs of any Capital Improvements to the home that were approved by the Monitoring Agent (discounted over their useful life). The "Resale Fee" payable to the Monitoring Agent for its work is listed in the Restriction. "Capital Improvements" are extraordinary improvements of a capital nature (for example, a new roof or a new septic system) that must be documented and commercially reasonable. Capital Improvements are intended to cover replacement of necessary capital items and are not intended to cover discretionary upgrades. The Maximum Resale Price will never be more than the amount for which an Eligible Purchaser earning 70% of the area median income could obtain mortgage financing (as calculated by the Monitoring Agent), and will never be less than the purchase price you paid (unless you agree to accept a lower price).

The Monitoring Agent will determine the Maximum Resale Price that you are allowed to receive on your sale of the home based on the formula set forth in the Restriction, and will begin marketing efforts to locate an Eligible Purchaser to buy the home. The Monitoring Agent is responsible for selecting the Eligible Purchaser who will buy the home. Alternatively, the Monitoring Agent or the Municipality may purchase the home (or have a party they designate purchase the home). Any sale to an Eligible Purchaser or to the Monitoring Agent or the Municipality (or their designee) under this option to purchase will be for the Maximum Resale Price, and the home will be sold subject to a Restriction in the same form as the Restriction you were required to sign.

The Monitoring Agent and Municipality will have up to 90 days after you give them notice of your intention to sell the home to close on a sale to an Eligible Purchaser, or to close on a sale to the Monitoring Agent or the Municipality (or their designee). This time period can be extended as provided in the Restriction to arrange for details of closing, to locate a subsequent purchaser if the first selected purchaser is unable to obtain financing or for lack of cooperation on your part.

If an Eligible Purchaser fails to purchase the home and neither the Monitoring Agent nor the Municipality (or their designee) purchases the home by the applicable deadline specified above, you may sell the home to a purchaser who does not qualify as an Eligible Purchaser, subject to the following: (i) the sale must be for no more than the Maximum Resale Price; (ii) the closing must be at least 30 days after the closing deadline described above; (iii) the home must be sold subject to a Restriction in the same form as the Restriction you were required to sign; and (iv) if there are more than one interested ineligible purchasers, preference will be given to any purchaser identified by the Monitoring Agent as an appropriately-sized household whose income is more than 80% but less than 120% of the area median income.

Any sale by you to an Eligible Purchaser, or to the Monitoring Agent or the Municipality (or their designee) or to an ineligible purchaser, as described above, is subject to customary terms for a property conveyance, which are set forth in the Restriction. **There is no commitment or guarantee that an Eligible Purchaser, the Monitoring Agent or the Municipality will purchase the home, or that you will receive the Maximum Resale Price (or any other price) for your sale of the home to an ineligible purchaser.**

A sale or transfer of the home will not be valid unless (1) the total value of all payments and anything else delivered by the purchaser does not exceed the Maximum Resale Price, and (2) the Monitoring Agent has signed and recorded in the Registry a Compliance Certificate that confirms the sale or transfer was made in compliance with the requirements of the Restriction. **If you attempt to sell or transfer the home without complying with the Restriction requirements, the Monitoring Agent and the Municipality may, among their other rights, void any contract for such sale or the sale itself, seek money damages for the costs to construct or obtain a comparable home for an Eligible Purchaser, or locate an Eligible Purchaser or exercise their purchase option to buy the home.**

IV. Foreclosure

The Restriction also gives the Municipality an option to purchase the home (or to designate another party to purchase the home) for a period of 120 days after the holder of a mortgage delivers notice to the Monitoring Agent and the Municipality that it intends to commence foreclosure proceedings. If this foreclosure purchase option is exercised, the purchase price will be the greater of (i) the amount of the outstanding balance of the loan secured by the mortgage, plus the outstanding balance of the loans secured by any mortgages senior in priority, up to the Maximum Resale Price as of the date the mortgage was granted, plus any future advances, accrued interest and/or reasonable costs and expenses that the mortgage holder is entitled to recover, or (ii) the Maximum Resale Price at the time of the foreclosure purchase option, except that in this case the Maximum Resale Price may be less than the purchase price you paid. **By**

signing the Restriction, you are agreeing that you will cooperate in executing the deed and other required closing documents.

If the foreclosure purchase option has not been exercised within 120 days of delivery of the foreclosure notice to the Monitoring Agent, the mortgage holder may conduct a foreclosure sale. The mortgage holder or an ineligible purchaser may purchase the home at the foreclosure sale, subject to a Restriction. If the sale price at the foreclosure sale is greater than the purchase price that would have applied for the foreclosure purchase option, as described above, the excess will be paid to the Municipality, for its Affordable Housing Fund. **By signing the Restriction, you are agreeing to assign any rights and interest you may otherwise have in the balance of any foreclosure proceeds available after satisfaction of all obligations to the holder of the foreclosing mortgage, for delivery to the Municipality.**

The Restriction provisions regarding a sale of the home after delivery of a foreclosure notice take precedence over your rights to sell the property, even if you deliver notice of your intention to sell the home before the mortgage holder delivers the foreclosure notice. **There is no commitment or guarantee that the Municipality will exercise the foreclosure purchase option, or that you will receive the Maximum Resale Price (or any other price) in any foreclosure sale of the home. In addition, the foreclosing lender retains the right to pursue a deficiency against you.**

V. Violation of Restriction Requirements

If you violate any of the Restriction terms, you will be in default and the Monitoring Agent and Municipality may exercise the remedies set forth in the Restriction. If the Monitoring Agent and/or the Municipality brings an enforcement action against you and prevails, you will be responsible for all fees and expenses (including legal fees) for the Monitoring Agent and Municipality. The Monitoring Agent and Municipality can assert a lien against the home to secure your obligation to pay those fees and expenses.

VI. Special Rules for Ineligible Purchasers

If you are authorized to purchase the home but do not qualify as an Eligible Purchaser at the time of purchase, you do not need to occupy the home as your principal residence. However, you must obtain the consent of the Monitoring Agent to rent the home. The rules for rental by an ineligible purchaser are governed by MassHousing Housing Starts Program Guidelines. In general, you may rent only to a tenant who would qualify as an Eligible Purchaser at a rent level deemed affordable according to MassHousing rental standards. **You should contact the Monitoring Agent for further details prior to renting your home.**

VII. Acknowledgements

By signing below, I certify that I have read this Homebuyer Disclosure Statement and understand the benefits and restrictions described. I further certify that I have read the Restriction and understand the legal obligations that I undertake by signing that document.

Dated _____, 20__.

Witness

Homebuyer

Witness

Homebuyer

EXAMPLES OF MAXIMUM RESALE PRICE CALCULATION

Example 1: Assume you have a household of four, and you closed on the purchase of a home in June, 2006 for a purchase price of \$100,000, and that the Restriction provides for a 2% resale fee. Assume also that in the first year of ownership, for medical reasons you replaced the carpet in a bedroom with hardwood flooring at a cost of \$2,500, and that the Monitoring Agent approved such capital improvement cost and determined the appropriate discount is \$250/year for 10 years. Assume further that you elect to sell your home in September, 2014, and that the Monitoring Agent has determined the necessary marketing fees, including broker's fees, are \$8,000. Finally, assume that at the time you purchased the home, the most recently published area median income for a four-person household in the Municipality was \$50,000, and at the time of resale, the most recently published area median income for a four-person household in the Municipality is \$58,000; and that, at the time of the proposed resale, the maximum amount for which an Eligible Purchaser earning 70% of the area median income, adjusted for household size, could obtain mortgage financing is \$135,000. The Monitoring Agent would calculate the Maximum Resale Price as follows:

Adjustment to owner's purchase price, based on change in area median income:	$(\$58,000 \times \$100,000 / \$50,000) =$	\$116,000
Adjustments for:		
Resale fee and approved marketing expenses (including broker's fee):	$(2\% \times \$116,000) = \$2,320$ $+ \$8,000 =$	\$ 10,320
Approved capital improvements:	$(\$2,500 - \$2,000) =$	<u>\$ 500</u>
Maximum Resale Price:		<u>\$126,820</u>

Example 2: Assume the same facts as Example 1, except assume that, at the time of the proposed resale, the maximum amount for which an Eligible Purchaser earning 70% of the area median income, adjusted for household size, could obtain mortgage financing is \$120,000. In this scenario, the Maximum Resale Price would be \$120,000.

Example 3: Assume the same facts as Example 1, except assume that at the time of resale, the area median income for a four-person household in the Municipality has decreased to \$40,000. The Monitoring Agent would calculate the Maximum Resale Price as follows:

<i>Adjustment to owner's purchase price, based on change in area median income:</i>	$(\$40,000 \times \$100,000 / \$50,000) =$	\$ 80,000
<i>Adjustments for:</i>		
<i>Resale fee and approved marketing expenses (including broker's fee):</i>	$(2\% \times \$116,000) = \$2,320$	
	$+ \$8,000 =$	\$ 10,320
<i>Approved capital improvements:</i>	$(\$2,500 - \$2,000) =$	<u>\$ 500</u>
		\$ 90,820
 <i>Maximum Resale Price:</i>		 \$100,000

In this scenario, the Maximum Resale Price would be the owner's purchase price, or \$100,000.