



Wood Buffalo Housing & Development Corporation

AFFORDABLE HOME OWNERSHIP PROGRAM

The Affordable Home Ownership Program offered by Wood Buffalo Housing & Development Corporation began in 2004. Since then, 141 families, couples and individuals have realized their dreams of owning a home in a booming real estate market – Fort McMurray, Alberta.

Now, WBHDC presents the newest home ownership project, **Hawthorne Heights at Eagle Ridge**



Hawthorne Heights is a 128-unit apartment and townhouse condominium development in Eagle Ridge. Wood Buffalo Housing & Development Corporation will be selling the remaining **51 two bedroom apartments** under the Affordable Home Ownership Program. 57 two bedroom and two bedroom plus den apartments and 20 three bedroom plus den townhouses were reserved earlier in 2010. The project features a playground and community centre, as well as landscaped green space and surface parking.

Construction is underway, with possession expected for Spring 2011. All units are backed by the Alberta New Home Warranty Program's coverage.

Applications will be available online at www.wbhadc.ca on Tuesday, September 7 and will be accepted until Friday, September 17, 2010.

QUALIFYING CRITERIA

To qualify for the Program, the applicant(s) must:

- Be a Canadian citizen or permanent resident and current resident of Fort McMurray;
- Have an annual gross household income less than \$135,000 per year (maximum) after applicable deductions* and, majority of household income must be from employment;
- Be a first time homeowner in Municipality (except joint property ownership in previous marriage/common law relationship); and
- Qualify for the first mortgage amount from a lender (minimum \$240,000).

*WBHDC has introduced permitted deductions to annual income. These include:

- \$3,000 per child per year (to a maximum of three children). This credit is not granted in conjunction with the child care credit;
- Up to \$12,000 per year for child care expenses. Receipts from a licensed, Child and Family Service Authority approved facility must be provided;
- Up to \$4,000 per child per year (to a maximum of three children) for child support payments. Proof of payments must be provided; and
- Up to \$6,000 per year for student loan payments. Evidence of regular monthly payments made to a Canadian Institution over the past year must be provided.

APPLICATION ATTACHMENTS

Applications must be completed in full and submitted with the following attachments:

- Confirmation of employment and income issued by employer for all adult household members;
- 2009 "T1" *Notice of Assessment* from Canada Revenue Agency for all adult household members;
- Copies of photo identification (16 years +) and Alberta Health Care cards for all household members;
- Written reference from current landlord (if not current WBHDC tenant);
- Two written personal / character references;
- Supporting documents for any applicable income deductions; and
- Mortgage pre-approval from lender (minimum \$240,000).

FINANCING

(figures are for *example only*)

The Purchase Price is set at 90% of the appraised market value for each unit type and is divided into two parts; the First Mortgage and the Housing Affordability Loan (Second Mortgage). The First Mortgage is equivalent to WBHDC's "cost to build". The Second Mortgage (difference between market value and cost to construct) is held by WBHDC and used to assist in the purchase.

Example (figures will vary by unit)

\$330,000	Purchase Price (90% of appraised market value)
\$260,000	First Mortgage (Bank)
<u>\$ 70,000</u>	Second Mortgage (WBHDC)
\$330,000	

The 2nd Mortgage held by WBHDC is further divided into the Equity Loan and Affordability Loan:

\$70,000	Second Mortgage
\$33,000	Equity Loan (10% of Purchase Price)
<u>\$37,000</u>	Affordability Loan (2 nd Mortgage minus Equity Loan)
\$70,000	

The Equity Loan is equal to 10% of the Purchase Price, and is registered as a charge on title. This will enable the purchaser to secure financing with a 0% down payment. An additional down payment amount from the purchaser may or may not be required by the lender, dependent on the applicants' personal financial situation. There is no repayment of the Equity Loan until the home is sold or re-financed, as outlined on Page 3.

The Affordability Loan (\$37,000) is repayable to WBHDC, **interest only**, at a rate that varies dependant on gross annual household income, as follows:

Income less than \$105,000	0% interest
Income \$105,000 – \$115,000	1.5% interest (\$37,000 x 0.015 = \$555.00 per year; \$46.25 per month)
Income \$115,000 – \$125,000	3.0% interest (\$37,000 x 0.03 = \$1,110.00 per year; \$92.50 per month)
Income \$125,000 – \$135,000	4.5% interest (\$37,000 x 0.045 = \$1,665.00 per year; \$138.75 per month)
Income over \$135,000	6% interest (\$37,000 x 0.06 = \$2,220.00 per year; \$185.00 per month)

Interest payments are made monthly to WBHDC and are a separate expense in addition to the first mortgage payment and applicable condominium fees. The principal of the second mortgage is due upon re-sale or re-finance, as outlined below. Interest amounts paid over the ownership period are credited to the amount owed at the time of re-sale or re-finance.

RE-SALE

There are restrictions on the re-sale of the unit aimed at preserving housing affordability for future purchasers and eliminating real estate speculation. All purchasers will be required to enter into an Option Agreement with WBHDC. This Agreement outlines the terms and conditions of the re-sale of the property, as below.

If the owner wishes to sell within the first 3 years of ownership, the home is to be offered for sale back to WBHDC, for the original purchase price (\$330,000). If this offer is accepted by WBHDC, the bank is repaid the balance of the first mortgage; WBHDC recovers the \$70,000 second mortgage, minus any interest paid over the period. The owner would not see profit on the sale within the first 3 years if WBHDC exercises this option.

When the owner wishes to sell after 3 years of ownership, the home is to be offered for sale back to WBHDC for 90% of the unit's market value at the time of offer. Two appraisals must be provided; Appraised Value #1 is based on the original finish materials and condition of the unit (upgrades or owner improvements not counted toward market value) and Appraised Value #2, which includes any upgrades or improvements made to the home and is the basis for the sale price.

If WBHDC accepts the offer to re-purchase at 90% of Appraised Value #2 (90% of market value at time of offer), the bank is re-paid the balance of the first mortgage, and WBHDC recovers the second mortgage less any interest paid over the ownership period, plus 22% of the increase in market value between the purchase price and Appraised Value #1.

The percentage of increase in market value payable to WBHDC is directly related to the proportion of the Second Mortgage to the Purchase Price. *The example uses 22% however this will vary by unit.*

Example (figures will vary by unit)

\$330,000	Purchase Price ("PP")
\$340,000	90% of Appraised Value #1 (\$10,000 increase b/w PP and AV#1 – increase in real estate values)
\$350,000	90% of Appraised Value #2 (\$20,000 increase b/w PP and AV#2 – increase in real estate values AND value of upgrades/improvements)
\$350,000	Re-purchase Price – 90% of market value at time of offer
\$260,000	First Mortgage (balance to be re-paid to bank)
<u>\$ 70,000</u>	Second Mortgage (recovered by WBHDC, less interest)
\$ 20,000	Increase in market value

$\$10,000 \times .22 = \$2,200$ (increase in market value between Purchase Price and AV#1) to WBHDC
 $\$10,000 - \$2,200 = \$7,800 + \$10,000$ (increase due to improvements AV#2) = \$17,800 to owner

If WBHDC declines the option to re-purchase, at either the original purchase price or 90% of market value at the time of offer, the owner can list the home for sale on the market. When the home sells, WBHDC recovers the second mortgage amount, less any interest paid over the period of ownership, plus 22

percent of the increase in market value between the original purchase price and Appraised Value #1 (without improvements).

The goal of the Home Ownership Program is not to enable property to be “flipped” for profit, but to provide affordable, stable homes for families and individuals; therefore the Option Agreement is a caveat registered on title.

RE-FINANCE

At any time, the unit can be re-financed, meaning carrying a larger mortgage with the bank in order to pay out WBHDC. The \$260,000 first mortgage will increase to accommodate the \$70,000 second mortgage (minus any interest), plus 22% of the increased market value.

From the Example above using Appraised Value #1

\$260,000	First Mortgage
\$ 70,000	Second Mortgage (less any interest paid)
<u>\$ 2,200</u>	Increase in market value
\$332,200	Re-financed mortgage

If the owner decides to assume a larger mortgage, the unit can be re-financed and the owner remains in the unit without WBHDC’s second mortgage assistance. The Option Agreement caveat remains registered on title, allowing WBHDC to re-purchase at 90% of market value at the time of offer.

LOSS ON SALE

If the real estate market has declined at the time of sale, and the value of the house is less than the original purchase price, the loss would be absorbed by the second mortgage. Instead of the owner having to make up the full amount owing on the second mortgage, WBHDC would accept the difference between the original value of the second mortgage (less any interest paid) minus the loss on the sale. A decrease in the home’s value at the time of sale would be absorbed by WBHDC up to the value of the second mortgage.

ADDITIONAL COSTS OF HOME OWNERSHIP

Condominium Fees	Property management - manager, grounds keeping, common area and building maintenance; insurance, replacement reserve, partial utilities, etc: \$340/month (estimate)
Utilities	Apartments Gas & Water: included in Condominium Fees Electricity: \$75/month (estimate, varies by usage)
Insurance	Contents and liability, estimate: \$20/month
Property Taxes	Estimated at \$1,600 per year
Second Mortgage Interest	Refer to Financing section on Page 2

