

## Re-finance Policy and Guidelines – All NCLT Homeowners and CalHome Down-Payment Assistance Borrowers

With interest rates still low, many homeowners ask for information about refinancing. The process is very similar to the initial financing of your home when you purchased. Our guidelines are to ensure that any new mortgage is affordable, and does not risk the long-term affordability of your home.

In addition, for residents with CalHome down-payment assistance loans from NCLT, certain other restrictions apply.

### Homeowners with only a Land Lease

In Section 9 of the Land Lease, it states that homeowners are allowed to take out a Permitted Mortgage out on their property as long as NCLT consents. For NCLT to consent, we request that the refinance does not over-encumber the property and take out more in mortgage than the restricted resale price for the property.

The restricted resale price is generally your purchase price plus appreciation equal to the increase in area median income (AMI) during the time you have owned the unit.

Below is a hypothetical example:

Purchase price 2000	\$100,000
Increase in AMI 2000 - now	40%
<u>Increase in restricted resale price</u>	<u>\$40,000 (40% * \$100,000)</u>
New restricted resale price	\$140,000

To confirm the current restricted resale price of your property and if your proposed refinance is permitted, please contact NCLT.

Basis of approval:

At least 30 days prior to closing, your proposed mortgage company should contact Stewardship Coordinator Sarah Scruggs at [sarah.scruggs@nclt.org](mailto:sarah.scruggs@nclt.org) and provide a proposed good faith estimate (HUD-GFE) for a preliminary approval. Final approval is contingent on review of the mortgage documents to ensure the mortgage meets the terms of Section 9 of your Land Lease. These include:

- No balloon payments or negative amortization;
- Fixed interest rate;
- Dues and charges must be reasonable and consistent with current lending standards;
- Principal amount combined with all other debt on the unit must not exceed the current restricted resale price.

Once we have the requested information, we can provide a preliminary approval within 15 days.



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## **Homeowners with both a CalHome Loan and a Land Lease**

Per the CalHome requirements, homeowners are allowed to refinance their property and the refinance must follow these requirements:

- No additional cash can be taken out of equity in the first mortgage to pay for unsecured debts (credit card debt, judgments, etc.), ***unless*** the new mortgage is subordinate to the Calhome Loan or debt is taken out subordinate to Calhome as a home equity line. ;
- The new mortgage must have regular payments;
- The new mortgage cannot have negative amortization, balloon payments, etc;
- The maturity of the new loan must be at least as long as the remaining term of the CalHome lien;
- The CalHome lien must not take a lower priority position than what existed at the time the liens were placed;
- Refinances can only be for a lower Rate (interest rate) or Term (length of loan) plus the costs of placing the new loan;
- Fees and charges for the new lien must be reasonable and consistent with industry standards for the A-paper market.

### **In Closing:**

If you are looking to refinance your property, please contact NCLT ***at the beginning*** of the process we will need to approve any refinancing. For CalHome loan refinances, the state administrator of the program will also need to approve. ***Failure to gain approval for a refinance can result in a default of your Land Lease.***

For more information on refinancing your property, please contact Sarah Scruggs (Stewardship and Education Coordinator) at (510) 548-7878 ext. 340 or email at [sarah.scruggs@nclt.org](mailto:sarah.scruggs@nclt.org).