

Earned Equity Program Disclosure – Texas

The Earned Equity Program (the “Program”) is an alternative path to homeownership for those who may not qualify for a traditional mortgage loan, but who want to lock in a home price today to begin building their generational wealth.

Here is how it works:

- **What is the Program?**

You select a home to buy that is within your monthly budget. Because you don’t qualify for a traditional mortgage loan, the home is purchased by another party. Shortly after closing, you sign an Executory Contract for the Conveyance of Real Property called a Homeownership Agreement. This contract allows you to live in and enjoy the home, receive all appreciation, have a portion of your monthly payments reduce the balance owed, and potentially benefit from an interest deduction on your income taxes (please confer with your tax advisor), all with an option to take fee simple title to the property when you are able to qualify for a traditional mortgage or you pay the agreement in full.

- **How is a home selected?**

You select a home that is for sale with a payment within your monthly budget that meets your needs, and you negotiate a purchase price for the home. The purchase agreement signed by you will be assigned to a governmental agency associated with a Native American Tribe, called the Agency. The Agency buys the selected property using funds obtained through an FHA-insured first mortgage loan on the property and a fee paid by you. Unlike other states, Texas law requires that the Agency own the home before the Homeownership Agreement can be signed. Once the home is purchased, you will receive disclosures about the property, wait three days, and then sign the Homeownership Agreement. You will be allowed to occupy the property at the time the Agency buys it through the time you sign the Homeownership Agreement.

- **What does the Program cost?**

The minimum amount is about 4.5%, but that requires the home seller to pay all closing costs. Before the Agency buys the home, you will sign a contract and pay a fee that covers the down payment and closing costs to purchase the home. About five business days later, you will sign the Homeownership Agreement and pay the program administration costs.

Monthly payments include the principal, interest, and mortgage insurance paid on the FHA-insured loan, plus property taxes, hazard insurance, homeowners association dues (only if the home is in a HOA), and a monthly administration fee. A general estimate of those costs can be provided once you pre-qualify for the Program. Shortly after a home is selected, you will receive an estimate based on the home you will be buying and the final cost will be determined prior to the Agency buying the home.

- **Will I ever actually be on title to the home?**

That depends on you. Once you qualify for mortgage financing, the governmental entity will allow you to either assume the FHA-insured loan from them or you can obtain your own financing to pay the agreement in full. You also have the option to pay the monthly contract fee for forty years and then, the title to the home will be transferred to you. Any extra principal that you pay will reduce the amount of time you pay, just like a traditional mortgage. Of course, you can always choose to sell the home and any amount you received after paying off the contract and sales costs will be paid directly to you.

What are the advantages of the Program?

- Increases in the home’s value during the term of the agreement benefit you if all payments are made as agreed. *(Of course, there is no guarantee that homes will go up in value; they can also go down in value.)*
- Each month, a portion of the monthly payment reduces the amount owed under the Homeownership Agreement, like a regular mortgage.



- By faithfully making the monthly payments and paying the other expenses of owning a home, you demonstrate your likelihood of obtaining traditional financing is improved.
- Your monthly payments are reported to credit bureaus allowing you to build credit.

What are the requirements to qualify for the Program?

- A financial application must be completed by you and a credit report obtained.
- You must provide well-documented proof of your ability to make monthly housing payments, including the monthly payment amount and the costs of maintaining a home.
- An evaluation of your financial ability to make the required monthly payments under the agreement and the expense of maintaining the home is made by the Agency, with assistance from a third party.
- Demonstrate the ability to pay the upfront costs required to purchase the home and to consummate the Homeownership Agreement.
- If your financial ability is approved by the Agency, the normal real estate purchase process is followed to select a home and obtain a purchase and sale contract on it. Earnest money is provided by you, and your contract is assigned to the Agency.
- The opportunity to buy the home can be lost if you fail to make monthly payments or violate any other terms of the Homebuyer Agreement.

By signing below, I acknowledge that I have received this disclosure on the date indicated and am interested in finding out more about the Earned Equity Program. I authorize any mortgage lender where I have applied for a loan to transfer my personal financial information to the Agency and the Agency's third party to determine my eligibility for participation in the Earned Equity Program.

Name: _____ Signature: _____ Date: _____
Name: _____ Signature: _____ Date: _____

