

Initial Program Disclosure

The Earned Equity Program (the “Program”) is an alternative path to homeownership for customers 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?**

The customer selects a home to buy that is within their monthly budget. Because they don’t qualify for a mortgage loan, the home is purchased by a governmental entity and the customer enters into a long-term homebuyer agreement that allows them to live in and enjoy the home with an option to take traditional title to the property when they are able to qualify for a traditional mortgage or pay the agreement in full. At any time during the contract period, the customer may exercise the right to take traditional title to the home. The customer has 40-years to take traditional ownership of the home by obtaining a new loan or by assuming the loan used by the government entity. If all payments are made as agreed, the customer receives all the benefits of home appreciation, and the amount owned under the agreement is paid down with each monthly payment like a 40-year amortized loan.

- **How is a home selected?**

The customer selects a home that meets the customer’s needs and places an offer on the home. The purchase agreement signed by the customer on the home is transferred to a governmental agency associated with an Indian Tribe, the Tule River Homebuyer Earned Equity Agency (TRHEEA). TRHEEA buys the selected property using funds obtained through an FHA-insured first mortgage loan on the property and the fee paid by the customer when executing the Homebuyer Agreement.

- **What does the Program cost?**

Upfront, the customer will pay a fee that covers the down payment and closing costs to purchase the home, plus program administration costs. Monthly payments include the principal interest, and mortgage insurance paid on the FHA-insured loan, plus property taxes, hazard insurance, repairs, homeowner’s association dues, property maintenance, etc. An estimate of these costs is provided to the customer shortly after a home is selected and the final cost is determined, prior to signing the final agreement. Once the customer is ready and qualifies for mortgage financing, the government entity will allow the customer to either assume the FHA-insured loan from the government entity, or the customer can obtain their own financing to pay the agreement in full.

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 Agreement to take traditional ownership in the home.
- By faithfully making the monthly payments and by paying the other expenses of owning a home, a customer demonstrates their ability to own a home and improves their likelihood of obtaining traditional financing is improved.
- Under some circumstances, it may be possible for a customer to “assume” the mortgage obtained by TRHEEA, which would avoid the need for the customer to obtain a new mortgage and save them thousands of dollars in closing costs.
- If the customer decides not to purchase the home, there may be other options available, depending on the circumstances. (1) work with TRHEEA to find someone to assume their obligations under the Homebuyer Agreement; (2) sell the home and the customer receives all sales proceeds remaining after the Homebuyer Agreement is paid in full and sales costs are paid; (3) abandon the property and cancel the agreement, placing the disposition of the home in the hands of TRHEEA. In this option, no costs paid by the customer are refundable.
- A memorandum of the agreement is filed with the county records office assuring the customer’s rights under the agreement are protected if the regular monthly payments are made on time.

What are the requirements to qualify for the Program?

- A financial application must be filled out by the customer and a credit report obtained.
- The customer must provide a well-documented ability to make monthly housing payments, including the amount of the monthly payment amount and costs of maintaining a home. An evaluation is made by TRHEEA, with assistance from a third party, of the customer's financial ability to make the monthly payments required by the agreement and the expenses of maintaining a home.
- Demonstrate the ability to pay the upfront costs required to consummate the Homeownership Agreement.
- If the customer's financial ability is approved by the TRHEEA, 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 the customer. The contract is assigned to the TRHEEA.
- Consumer education courses may be required
- The opportunity to buy the home can be lost if the customer fails to make monthly payments or violate any other terms of the Homebuyer Agreement.
- Delayed closing or occupancy of the property may result in failure to purchase the property and revocation 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 TRHEEA and the TRHEEA's third party to determine my eligibility for participation in the Earned Equity Program.

Name: _____ Signature: _____ Date: _____

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