



## **NEW CASA** **SHARED EQUITY LOAN PROGRAM** **OVERVIEW**

The NEW CASA Shared Equity Loan Program has been established by New Economics for Women (NEW) to implement its homebuyer assistance activity pursuant to the federal Neighborhood Stabilization Program II (the “NSP2 Program “), a component of Public Law 111-5 et seq (ARRA), and all applicable regulations promulgated by the United States Department of Housing and Urban Development. NSP2 Program funds are being provided by the U.S. Department of Housing and Urban Development (HUD) pursuant to the NSP2 Program Agreement (HUD Contract No. B-09-CN-AZ-0001) under which NEW is a Consortium Member.

**The NEW CASA Shared Equity Loan Program is dedicated to helping low- to middle-income homebuyers create assets, sustainability and abundance (hence, “CASA”).**

Under this program, NEW utilizes its soft-second mortgage financing to assist low to middle income purchasers in purchasing homes that are within their range of affordability. This includes homes that have been rehabilitated or built from ground-up. NEW sells its homes to income qualified buyers with financing being provided by private mortgage lenders who secure their interests with a first Deed of Trust.

NEW’s soft-second or silent second loans can be used as gap financing, initial principal reduction and closing cost assistance. Down payment assistance cannot be provided when the buyer’s lender is having the loan insured by FHA, but may receive such assistance for VA and conventional financing.

The following applies **exclusively** to NEW CASA loans originated by NEW for its Owensmouth and Cohasset eight new construction properties located at:

7515 North Owensmouth Ave., Los Angeles, 91303  
21701 W. Cohasset Street, Los Angeles, 91303  
20709 W. Cohasset Street, Los Angeles, 91303  
21715 W. Cohasset Street, Los Angeles, 91303  
21717 W. Cohasset Street, Los Angeles, 91303  
21719 W. Cohasset Street, Los Angeles, 91303  
21721 W. Cohasset Street, Los Angeles, 91303  
7414 North Jordan Ave., Los Angeles, 91303

**I. ELIGIBLE PURCHASERS**

1. Income restriction of no more than 120% AMI for the entire household income is a program requirement. Persons are eligible as purchasers based on maximum income limits which are calculated according to household size.

NSP requires that all households assisted with NSP2 funds have income at or below 120% of area median income (“AMI”). These AMI restrictions as of the date of this publication for 2017 are as follows:

**Maximum Area Median Income Limits 2017**

<b>Household Size:</b>	<b>1 Person</b>	<b>2 Persons</b>	<b>3 Persons</b>	<b>4 Persons</b>	<b>5 Persons</b>	<b>6 Persons</b>	<b>7 Persons</b>	<b>8 Persons</b>
<b>Maximum Income at 120% Area Median Income</b>	<b>\$ 75,700</b>	<b>\$ 86,500</b>	<b>\$ 97,300</b>	<b>\$ 108,100</b>	<b>\$ 116,750</b>	<b>\$ 125,400</b>	<b>\$ 134,050</b>	<b>\$ 142,700</b>

2. The income restriction in the table above must take into account every person living in the household- not just the Borrower(s).
3. No other home: Eligible purchasers are not presently home owners at the time of the closing of their purchase.
4. Homeownership Course Completion: Borrowers must attend an approved 8-hour homeownership counseling session within 12 months prior to their home purchase and have received a completion certificate.
5. Borrowers will be required to invest a minimum of THREE PERCENT (3%) as a deposit of their own funds into the purchase.
6. Borrowers must borrow a minimum of \$1,000 under the NEW CASA Program to purchase one of the homes for sale.

## II. SECONDARY LOAN REQUIREMENTS UNDER THE NEW CASA PROGRAM

NEW CASA funds may be combined with additional down-payment assistance programs such as WISH, IDEA, IRC, HOME and CDBG Program assistance and based on Borrower qualifications. The secondary financing provides the amount of assistance that will be needed to close the sales transaction, subject to certain ratios loan amounts. In addition:

- NEW CASA financing provided to Borrower(s) bears 0% interest and no monthly payments are required.
- No origination fees, prepayment fees or other fees are charged.
- Minimum Downpayment Amount of THREE PERCENT (3%) of the total Purchase Contract price must be paid by Borrower's own funds.
- Maximum Financing Cap of \$130,000 per Property.
- The financing is documented with a **Promissory Note** and is secured by a **Shared Equity Deed of Trust**.
- The NEW CASA program requires that the homes be owner-occupied so long as the NEW CASA funding is in place. This is called the Affordability Period. **The length of the Affordability Period for these new construction homes is 20 years.**
- **Annual documentation of residency is required to prove that the home is owner-occupied throughout the entire 20-year Period of Affordability.**
- Equity sharing: **Repayment in the future is repayment of the Note plus the NEWCASA Loan Appreciation.** NEW CASA loans for the sale of any of the Owensmouth or Cohasset properties will require **shared equity notes**. Any sale during the Affordability Period will require the repayment of:
  - (a) the total amount borrowed under the NEW CASA Program;  
PLUS
  - (b) that portion of the equity growth in the Property over time based upon the percentage of NEW CASA financing utilized to purchase the Property.
- No payments are made by the borrowers in connection with the loans. Repayment of the loan is made when a home is sold or title is otherwise transferred voluntarily, involuntarily, or until the borrower no longer occupies the home as their primary residence.

- Recapture of NEW's soft second loan will not occur when a Borrower is refinancing to obtain a lower interest rate and no cash is being withdrawn. No equity is allowed to be utilized from the home during the Period of Affordability in order to protect the Borrower(s) equity growth in the home.
- Repayment of the loan is waived and the NEW CASA debt is forgiven after the Homeowner's **20-year Period of Affordability** has been reached. **There is complete loan forgiveness** if the home remains owner-occupied (meaning, occupied by the Borrower or Borrowers) through the end of the Period of Affordability.

### III. EXAMPLES OF REPAYMENT CALCULATION

#### **Formulas:**

**Repayment in the future is repayment of the Note plus the NEWCASA Loan Appreciation.**

$$\begin{aligned} & \text{[Note] divided by [Property Purchase Price]} \\ & = \text{NEWCASA Percentage Share of Appreciation.} \end{aligned}$$

$$\begin{aligned} & \text{[NEWCASA Percentage Share of Appreciation]} \times \text{[Net Resale Proceeds]} \\ & = \text{NEWCASA Loan Appreciation.} \end{aligned}$$

#### **Example 1: Future sale of the Property in 2025 (Hot Market)**

**Assumptions:**

- Note = \$50,000**
- Property Purchase Price = \$500,000**
- Future Sale Price = \$650,000**
- Costs of future sale = \$425,000**

**Calculations:**

Note/Property Purchase Price = \$50,000/ \$500,000 = .10 = 10%  
 = NEWCASA Percentage Share of Appreciation

Net Resale Proceeds = \$650,000 - \$425,000 = \$225,000  
 NEWCASA Loan Appreciation = 10% x \$225,000 = \$22,500

Total cost to Borrower in 8 years: \$50,000 (THE NOTE) + \$22,500 (SHARED EQUITY DUE)  
 Total Due = \$72,500

**Example 2: Future sale of the Property in 2025. (Hot Market, Higher Note)**

**Assumptions:**      **Note = \$100,000**  
                              **Property Purchase Price = \$500,000**  
                              **Future Sale Price = \$650,000**  
                              **Costs of future sale = \$425,000**

**Calculations:**

Note/Property Purchase Price      =      \$100,000/ \$500,000      = .20      = 20%  
= NEWCASA Percentage Share of Appreciation

Net Resale Proceeds                      =      \$650,000 - \$425,000      = \$225,000

NEWCASA Loan Appreciation      =      20% x \$225,000      = \$45,000

Total cost to Borrower in 8 years: \$50,000 (THE NOTE) + \$45,000 (SHARED EQUITY DUE)

Total Due = \$95,000

**Example 3: Future sale of the Property in 2025. (Soft Market)**

**Assumptions:**      **Note = \$50,000**  
                              **Property Purchase Price = \$500,000**  
                              **Future Sale Price = \$400,000**  
                              **Costs of future sale = \$425,000**

**Calculations:**

Note/Property Purchase Price      =      \$50,000/ \$500,000      = .10      = 10%  
= NEWCASA Percentage Share of Appreciation

Net Resale Proceeds                      =      \$400,000 - \$425,000      = negative \$25,000

NEWCASA Loan Appreciation      =      10% x -\$25,000      = \$0

Total cost to Borrower in 8 years: \$0 (THE NOTE) + \$0 (SHARED EQUITY DUE)

Total Due = \$0

**Example 4: Future sale of the Property in 2025.**

**Assumptions:**      **Note = \$50,000**  
                          **Property Purchase Price = \$500,000**  
                          **Future Sale Price = \$400,000**  
                          **Costs of future sale = \$425,000**

**Calculations:**

Note/Property Purchase Price      =      \$50,000/ \$500,000      = .10      = 10%  
= NEWCASA Percentage Share of Appreciation

Net Resale Proceeds                      =      \$400,000 - \$425,000      = negative \$25,000

NEWCASA Loan Appreciation      =      10% x -\$25,000      = \$0

Total cost to Borrower in 8 years: \$0 (THE NOTE) + \$0 (SHARED EQUITY DUE)

Total Due = \$0

**Example 5: Natural Termination of Period of Affordability. (No Default, 20 Years)**

**Assumptions:**      **Note = \$50,000**  
                          **Property Purchase Price = \$500,000**  
                          **Future Sale Price = \$700,000**  
                          **Costs of future sale = \$325,000**

**Calculations:**

Note/Property Purchase Price      =      \$50,000/ \$500,000      = .10      = 10%  
= NEWCASA Percentage Share of Appreciation

Net Resale Proceeds                      =      \$700,000 - \$325,000      = \$ 375,000

NEWCASA Loan Appreciation      =      \$0

Total cost to Borrower in 20 years: \$0 (THE NOTE) + \$0 (SHARED EQUITY DUE)

Total Due = \$0

#### IV. CONTACT INFORMATION REGARDING NEW CASA Home Loan Program

**For more information regarding NEW CASA home loan qualifications**, please contact NEW's Project Manager Cheryl Bates at [cbates@neworg.us](mailto:cbates@neworg.us) or via phone at (213) 483-2060, ext. 303.

**For more information regarding homeownership classes**, please see our website at [neweconomicsforwomen.org](http://neweconomicsforwomen.org) or and click on Homeownership Workshops, OR, call us at (213) 483-2060, ext. 325.

**For more information regarding the sale of the eight homes** at NEW's new construction site, please call Moises Carlos at [ncarlos@escalarg.com](mailto:ncarlos@escalarg.com) or via phone at (310) 902-6128.

Veterans are advised to check with the Regional VA Loan Center regarding their financing options at:

Department of Veterans Affairs  
VA Regional Loan Center  
3333 N. Central Avenue  
Phoenix, AZ 85012-2402  
1-888-869-0194

As covered entity under Title II of the Americans with Disabilities Act, New Economics for women does not discriminate on the basis of disability and, upon request, will provide reasonable accommodation to ensure equal access to its programs, services and activities.



Fair Housing Lender