

**KEEP THIS DOCUMENT ACCESSIBLE
IT CONTAINS VALUABLE CONTACT INFORMATION**

**LOCAL INITIATIVE PROGRAM (LIP)
HOMEOWNER DISCLOSURE STATEMENT**

This Homeowner Disclosure Statement summarizes your rights and obligations as the owner of a home located at _____, in _____, Massachusetts (the “Municipality”), which was purchased at less than the home’s fair market value under the Local Initiative Program (LIP). When you sell the home, that same opportunity will be given to the new buyer. In exchange for the opportunity to own the home at less than its fair market value, you must agree to certain use and transfer restrictions. These restrictions are described in detail in a LIP Deed Rider that is attached to the deed to _____, which is recorded at the _____ Registry of Deeds in Book _____, Page _____ (the “LIP Deed Rider”).

PLEASE REMEMBER:

- You must occupy this home as your primary residence;
- You must obtain consent from the Department of Housing and Community Development (DHCD) and the Municipality [and _____ (if another monitoring agent is listed)] (together they are referred to as the “Monitoring Agents” in this Homeowner Disclosure Statement) before renting, refinancing or granting any other mortgage, or making any capital improvements to your LIP home;
- You must give written notice to the Monitoring Agents when you decide to sell your property.
- You may **not** transfer your LIP property into a trust.

The contact information for the Monitoring Agents is listed in the LIP Deed Rider.

Please read the LIP Deed Rider restriction in its entirety because it describes and imposes certain important legal requirements. It is strongly recommended that you consult an attorney to explain your legal obligations and responsibilities.

Primary Residence

You must occupy your LIP property as your primary residence.

Renting, Refinancing and Capital Improvements

You must obtain the prior written consent of the Monitoring Agents before you do any of the following:

- Rent your LIP home;
- Refinance an existing mortgage or add any other mortgage including a home equity loan; or
- Make any Capital Improvements (for example, a new roof or a new septic system – see attached Capital Improvements Policy) if you wish to get credit for those costs (at a discounted rate) when you sell your home.

Before taking any action, please contact DHCD for instructions on renting, mortgaging, or making capital improvements to your home. If you do not obtain the required consent from the Monitoring Agents, you can be required to pay all of the rents or proceeds from the transaction to the Municipality.

Resale Requirements

When you sell your home, you are required to give written notice to the Monitoring Agents of your desire to sell so that they may proceed to locate an Eligible Purchaser for your LIP home. Your sale price will be computed by DHCD based on the formula set forth in the LIP Deed Rider to reflect the purchase price noted on the Deed that is attached to the LIP Deed Rider plus certain limited adjustments.

The allowed sale price is defined as the “Maximum Resale Price” in the LIP Deed Rider. It is calculated by adjusting the purchase price noted on the Deed that is attached to the LIP Deed Rider to reflect any change in the area median income plus:

- (a) The Resale Fee as stated in the LIP Deed Rider;
- (b) Approved marketing fees, if any; and
- (c) Approved Capital Improvements, if any.

The Maximum Resale Price can never be more than the amount which is affordable to an Eligible Purchaser earning 70% of the area median income, as determined by a formula set forth in the LIP Deed Rider. The sales price will also never be less than the purchase price you paid, unless you agree to accept a lower price.

The Monitoring Agents have up to 90 days after you give notice of your intention to sell the home to close on a sale to an Eligible Purchaser, or to close on a sale to a Monitoring Agent, or to a buyer that one of them may designate. This time period can be extended, as provided in the LIP Deed Rider, to arrange for details of closing, to locate a subsequent purchaser if the first selected purchaser is unable to obtain financing or *for lack of cooperation* on your part.

It is your obligation to cooperate fully with the Monitoring Agents during this resale period.

If an Eligible Purchaser fails to purchase the home, and none of the Monitoring Agents (or their designee) purchases the home, you may sell the home to a purchaser who does not qualify as an

Eligible Purchaser (in this event, this purchaser is referred to as an ineligible purchaser), subject to the following:

- (i) the sale must be for no more than the Maximum Resale Price;
- (ii) the closing must be at least 30 days after the closing deadline described above;
- (iii) the home must be sold subject to a LIP Deed Rider; and
- (iv) if there are more than one interested ineligible purchasers, preference will be given to any purchaser identified by DHCD as an appropriately-sized household whose income is more than 80% but less than 120% of the area median income.

Any sale by you to an Eligible Purchaser, or to an ineligible purchaser (as described in the LIP Deed Rider), is subject to the normal and customary terms for the sale of property, which are set forth in the LIP Deed Rider.

There is no commitment or guarantee that an Eligible Purchaser will purchase the LIP home, or that you will receive the Maximum Resale Price (or any other price) for your sale of the LIP home.

A sale or transfer of the home will not be valid unless (1) the total value of all consideration and payments of every kind given or paid by the selected purchaser do not exceed the Maximum Resale Price, and (2) the LIP Compliance Certificate that confirms that the sale or transfer was made in compliance with the requirements of the LIP Deed Rider is executed by the Monitoring Agents and recorded at the Registry of Deeds.

If you attempt to sell or transfer the home without complying with the LIP Deed Rider requirements, the Monitoring Agents may, among their other rights, void any contract for such sale or the sale itself.

Foreclosure

In the event that the holder of a mortgage delivers notice that it intends to commence foreclosure proceedings, the LIP Deed Rider gives the Municipality an option to purchase the home (or to designate another party to purchase the home) for a period of 120 days after notice of the Lender's intent to foreclose.

If this foreclosure purchase option is exercised, the purchase price will be the greater of (i) the amount of the outstanding balance of the loan secured by the mortgage, plus the outstanding balance of the loans secured by any mortgages senior in priority, up to the Maximum Resale Price as of the date the mortgage was granted, plus any future advances, accrued interest and/or reasonable costs and expenses that the mortgage holder is entitled to recover, or (ii) the Maximum Resale Price at the time of the foreclosure purchase option, except that in this case the Maximum Resale Price may be less than the purchase price noted on the Deed that is attached to the LIP Deed Rider. By accepting the terms of the LIP Deed Rider, you are agreeing that you will cooperate in executing the deed to the Municipality (or its designee) and any other required closing documents.

If the foreclosure purchase option has not been exercised within 120 days of delivery of the foreclosure notice to the Monitoring Agents, the mortgage holder may conduct a foreclosure sale. The mortgage holder or an ineligible purchaser may purchase the home at the foreclosure sale, subject to the LIP Deed Rider.

If the sale price at the foreclosure sale is greater than the purchase price that would have applied for the Municipality's foreclosure purchase option as described above, the excess will be paid to the Municipality. By accepting the terms of the LIP Deed Rider, you are agreeing to assign any rights and interest you may otherwise have in the balance of any foreclosure proceeds available after satisfaction of all obligations to the holder of the foreclosing mortgagee, for delivery to the Municipality.

There is no commitment or guarantee that the Municipality will exercise the foreclosure purchase option, or that your Lender will receive the Maximum Resale Price (or any other price) in any foreclosure sale of the LIP home. In addition, the foreclosing lender retains the right to pursue a deficiency against you.

Violation of Restriction Requirements

If you violate any of the Restriction terms, you will be in default and the Monitoring Agents may exercise the remedies set forth in the LIP Deed Rider.

If one or more of the Monitoring Agents brings an enforcement action against you and prevails, you will be responsible for all fees and expenses (including legal fees) for the Monitoring Agent(s). The Monitoring Agent(s) can assert a lien against the home to secure your obligation to pay those fees and expenses.

Acknowledgements

By signing below, I certify that I have read this Homeowner Disclosure Statement and understand the benefits and restrictions described. I further certify that I have read the LIP Deed Rider and understand the legal obligations that I undertake by signing that document.

I also certify that I have been advised to have an attorney review this document and the LIP Deed Rider with me.

Dated _____, 20____

Homeowner

Witness

Homeowner

Witness

**Local Initiative Program (LIP)
Department of Housing and Community Development
100 Cambridge Street, Suite 300
Boston, MA 02114
617-573-1426**

**LOCAL INITIATIVE PROGRAM
CAPITAL IMPROVEMENTS POLICIES AND PROCEDURES**

Dear Local Initiative Program (LIP) Homeowner:

Capital improvements *must be approved by DHCD and the local community* in order to be considered and added to the resale price. DHCD defines capital improvement as a necessary maintenance improvement, not covered by a condominium or homeowner association fee, that if not done would compromise the structural integrity of the property. Examples of necessary capital improvements include the following:

New roof	Septic tank replacement
Exterior painting due to deterioration	Heating or plumbing replacement
Structural deficiencies such as termite or other pest damage, water damage, or other maintenance as required	The replacement of siding, shingles or clapboard due to damage or long-term wear
Replacement of windows due to damage or long-term wear and tear	Other improvements identified by the owner and reviewed by DHCD.
Appliance replacement (stove, dishwasher, refrigerator)	

Improvements such as the installation of outdoor decks, flooring (except in cases of replacement due to damage or long-term wear), additions, garages, landscaping, and other items identified by the owner that are upgraded or luxury improvements will *not be* considered capital improvements and cannot be added to the resale price when the property is sold.

If a condominium or homeowners' association has a special assessment, DHCD will take into consideration the cost to the homeowner on a case by case basis. Additional documentation may be requested.

At the time of resale, DHCD will determine the current value of the improvement based on the depreciation schedule. For example, if a new heating system is installed for \$5,000 and the owner sells the property 5 years later, the full \$5,000 will not be added to the resale price. As with market rate properties, the value of the heating system is the greatest when it is new and it depreciates over time.

To begin the review process, please mail the following information to DHCD and your local community:

A letter requesting approval for the cost of a capital improvement, including:

- a description of the work to be done
- an estimate of the cost
- an explanation of why the work is a capital improvement

If the request is approved, DHCD will require a copy of the paid invoice after the completion of the work. DHCD will consider the useful life of the improvement and prepare a depreciation schedule for the cost of the improvement.

Requests for capital improvements or questions can be directed to:

Rieko Hayashi
Department of Housing and Community Development
100 Cambridge Street, Suite 300
Boston, MA 02114
Attn: Division of Housing Development - LIP Program
617-573-1426
617-573-1330 (fax)
Email: rieko.hayashi@mass.gov

Please contact your town or city hall for information on who will review your request for approval of the cost of a capital improvement. You may inquire at the Board of Selectmen's office, the Housing Authority or the Planning Department.