

HOMEBUYER DISCLOSURE STATEMENT
(MAMMOTH LAKES HOUSING, INC.)

Mammoth Lakes Housing, Inc. ("MLH") has made it possible for low and moderate income households like yours to buy a house at a price that is affordable. The price that you are paying for your house is below the market rate.

In exchange for giving you the opportunity to buy your house at a below-market affordable price, MLH will require you to sign a Resale Restriction, Refinance Restriction, and Option to Purchase Agreement (the "Resale Restriction Agreement") and a Deed of Trust and Security Agreement (the "Deed of Trust"), which will secure the Resale Restriction Agreement. **The Deed of Trust and the Resale Restriction Agreement will be recorded against your property.** In general, the Resale Restriction Agreement and the Deed of Trust set forth conditions that you must meet, including but not limited to the following:

- The Resale Restriction Agreement requires you to live in your home as your main place of residence, and prohibits you from renting-out your home without the prior written consent of MLH.
- The Resale Restriction Agreement places controls on the sale of your home. There is a limit to the price at which you can sell your home, and MLH has an option to purchase your home at a restricted price.

The purpose of the Resale Restriction Agreement and Deed of Trust is to make sure that MLH's goal of providing affordable homeownership opportunities to low and moderate income buyers continues to be met. MLH has helped you to buy a home at an affordable price; it wants to help others like you as well.

Resale of the Home is subject to normal market forces. There is no guarantee that on resale the Owner will obtain any profit or return on investment.

This Disclosure Statement explains the major provisions of the Resale Restriction Agreement so that you will understand its requirements. **You should, of course, read the entire Resale Restriction Agreement and the Deed of Trust and become completely familiar with them.**¹

A. REQUIREMENTS IN EFFECT FOR 60-YEAR TERM

The requirements that are in the Resale Restriction Agreement and the Deed of Trust apply until the earlier of (i) sixty (60) years from the date you purchased your home (the recording date of the Grant Deed for the property), or (ii) the date you sell or transfer your home in accordance with the Resale Restriction Agreement and the Deed of Trust.

¹ Numerical examples are included in this Disclosure Statement to help you better understand the concepts, terms, and provisions of the Resale Restriction Agreement. Please be aware that these are simply to show how things work and that they are not intended to represent your specific situation. If you follow along with a calculator, you may not get exactly the same answers. Any differences are probably due to how your calculator "rounds-off" numbers.

If you own and live in your home for the entire 60-year term, all of the requirements of the Resale Restriction Agreement and Deed of Trust go away.

B. PRIMARY RESIDENCE AND LEASING YOUR HOME

Your house must be your main place of residence. This means you must live in your home for at least nine (9) months out of each calendar year. Each year during the 60-year term described in A. above, you must tell MLH in writing that you are meeting this requirement, using the form attached as Exhibit B to the Resale Restriction Agreement. You are not allowed to lease or rent the house to anyone. If you violate these requirements MLH may sue to enforce them. You will also be in default under the Resale Restriction Agreement and MLH may require you to sell the home in the manner described in the Resale Restriction Agreement.

C. MAINTAINING YOUR HOME/ PROPERTY INSURANCE

By signing the Resale Restriction Agreement, you agree to keep your home and landscaping in good repair and in neat, clean, and orderly condition and to prevent deterioration of the home. You also agree to keep a standard homeowner's insurance policy, with MLH named as an additional insured. The insurance policy shall be in an amount equal to the replacement value of the home. At the request of MLH, the replacement value will be reviewed and adjusted as needed.

D. MLH HAS OPTION TO PURCHASE

In exchange for the opportunity that MLH gave you to buy your home at an affordable, below-market price, you agree that MLH has an option to buy your home at a restricted price if you sell your home during the 60-year term. In other words, MLH has the first opportunity to buy your house before anyone else. MLH may also give its option to purchase your house to another public agency, a nonprofit organization, or a person or family meeting income and other requirements.

E. SALES PRICE OF HOME IS RESTRICTED: MAXIMUM SALES PRICE

MLH has helped make the cost of buying a home affordable to you. MLH also wants to make sure that others like you get the same chance. Therefore, the Resale Restriction Agreement limits the sales price of your home if you sell within the 60-year term of the Resale Restriction Agreement. The maximum sales price that you can receive is the **lower** of the result of the Indexed Price formula in Section E.1 below and the Fair Market Value as described in Section E.2.

1. INDEXED PRICE

- (a) Original Sales Price of Home (price at which you bought it)
- (b) increased by the percentage increase of the Area Median Income for a household size of four persons from the date of your original purchase (the recording date of the Grant Deed for the property) to the date of receipt by MLH of the Owner's Notice of Intent to Transfer

plus

- (c) Value (not cost) of any Eligible Capital Improvements, meeting the requirements of Section 7.A(5) (Notice of Intended Transfer; Preparation of Home for Sale) and Section 11 (Determination of Maximum Sales Price for MLH Purchase or Restricted Sale) of the Resale Restriction Agreement. Note that Eligible Capital Improvements, among other requirements, must be approved in writing by MLH before they are installed.

It is also important to understand that if the home has suffered from any damage or deferred maintenance while you own it, any decrease in value of your house will be subtracted in the calculation of the Maximum Restricted Resale Price, as will the amounts necessary to put the house in a "sellable condition."

Example 1 shows how the Indexed formula works.

EXAMPLE 1 You sell your house at the end of eight years. The original sales price of your home was \$175,440. The median income for a family of four in Mono County when the home was bought was \$65,900. Median income increases by 14% over the eight years. Five years after buying your home, you remodel your kitchen (with prior MLH written approval) and the remodeling work is valued by an appraiser as worth \$10,000 at the time you sell.

(a)	Original Price of Home	\$175,440
(b)	Median Income Increase	14%
(c)	multiply (a) by (b)	\$24,560
(d)	add (c) to (a)	\$200,000
(e)	add Appraised Value of Eligible Capital Improvements	<u>+\$10,000</u>
	<u>INDEXED PRICE</u>	\$210,000

2. FAIR MARKET VALUE

Under the Resale Restriction Agreement, the Fair Market Value can be determined in one of two ways. First, it can be established by a real estate appraiser approved in advance by MLH. If possible, the appraisal will be based on sales prices of homes similar to yours that are sold in your market area during the preceding three (3)-month period. The value of any (i) Eligible Capital Improvements that you have made to your home that meet the requirements set forth in Section 7.A(5) and Section 11 of the Resale Restriction Agreement, or (ii) damage or deferred maintenance that occurred while you owned the house that decreased its value shall be included as separate values in the appraisal. In this case, the appraisal will state what the Fair Market Value of the home would be without either the improvements or the damage or deferred maintenance. The value of Eligible Capital Improvements or damage or deferred maintenance, if any, will have a direct impact on the Fair Market Value.

The Resale Restriction Agreement also allows you and MLH to set the Fair Market Value of your home by mutual agreement instead of relying on an appraiser. Both you and MLH would have to agree to this particular method (instead of hiring an appraiser) and to the final Fair Market Value amount. If you and MLH fail to agree on the Fair Market Value, either one can require use of the appraisal method.

Example 2 shows how the Indexed Price and the Fair Market Value of the home are compared to determine the Maximum Restricted Resale Price at which you can offer your house for sale.

EXAMPLE 2 The assumptions are the same as Example 1. The Fair Market Value of your home is determined by appraisal. The appraisal determines the Fair Market Value at \$270,000.

<u>INDEXED PRICE</u>	is less than	<u>FAIR MARKET VALUE</u>	then	<u>MAXIMUM RESTRICTED SALE PRICE</u>
\$210,000	<	\$270,000	⇒	\$210,000

Since the Fair Market Value of the home is greater than the Indexed Price of the house, the Maximum Restricted Resale Price which you can receive from the sale of your home is \$210,000.

F. SELLING YOUR HOME

Under the terms of the Resale Restriction Agreement, when you go to sell your home within the 60-year term, there are three different ways that the sale can take place:

- MLH chooses to use its option to purchase your house at the restricted sales price.
- You sell the home at a restricted sales price to someone who meets specific income requirements like you had to meet. This buyer is called an "Eligible Purchaser" in the Resale Restriction Agreement.
- You sell your home at an unrestricted (market) sales price prior to expiration of the "Market Sale Expiration Date" to a "Market Purchaser." A Market Purchaser is a buyer with an income too high to qualify as an "Eligible Purchaser" or not a full-time resident. You must pay MLH any "Excess Sales Proceeds" that may result from this type of sale.

These three cases are described below.

1. MLH EXERCISES ITS OPTION TO PURCHASE YOUR HOME

When you decide to sell your home, you must let MLH know in writing before you contact a real estate broker or lender and before you list the home in the Multiple Listing Service. This notice is called the "Owner's Notice of Intent to Transfer", and a form of it is included as Exhibit D to the Resale Restriction Agreement. The Owner's

Notice of Intent to Transfer must be sent in a particular way and must include specific information (for example, it must include a pest report) as detailed in Section 7 (Notice of Intended Transfer; Preparation of Home for Sale) and Section 30 (Notices) of the Resale Restriction Agreement. If you fail to send MLH this notice, you will be in default under the Resale Restriction Agreement and the sale of your home may be delayed.

MLH will then let you know in a notice called the "First MLH Response Notice" whether or not it will use its option to purchase. See Section 8 (MLH Response to Owner's Notice of Intended Transfer) and Section 9 (Owner Acknowledgment of MLH Response Notice) of the Resale Restriction Agreement for details on what you must do once you receive the First MLH Response Notice.

If MLH decides to use its option to purchase (or assigns this right), then MLH or its designee buys the home at the restricted sales price. MLH will let you know that it wants to buy your home and provide the restricted sales price amount in the First MLH Response Notice. The purchase by MLH shall take place within ninety (90) days of the date the First MLH Response Notice is sent to you. You will be responsible for putting the home in good condition for its sale.

When your home is bought by MLH under its option to purchase, you will pay to MLH a transaction fee equal to three percent (3%) of the sales price. This fee takes the place of the fee for a broker's services. MLH will be performing those services when it purchases the home.

2. SALE TO AN "ELIGIBLE PURCHASER" AT THE RESTRICTED SALES PRICE

If MLH does not choose to buy your home, you have a sixty (60)-day "Marketing Period" in which to find an Eligible Purchaser to buy the home at the restricted sales price, which MLH will provide in the First MLH Response Notice. An Eligible Purchaser is an individual or household who will live in the home and whose income is equal to or less than the percentage of Area Median Income that you were at when you purchased the home. MLH will provide you with the current income limits when you sell your home. See Section 8.B (Owner Sale at Restricted Sale Price to Eligible Purchaser) and Section 12 (Sale of Home By Owner If MLH Does Not Exercise Option to Purchase) of the Resale Restriction Agreement.

You are responsible for putting the home in good condition for its sale. Once you have sent the Owner's Notice of Intent to Transfer, you must take the steps to prepare the home for sale as described in Section 7 (Notice of Intended Transfer; Preparation of Home for Sale) of the Resale Restriction Agreement.

Once you find a potential Eligible Purchaser, you will refer the proposed buyer to MLH so that MLH can determine if in fact he or she meets the requirements of an Eligible Purchaser. You and the proposed buyer must give specific information and documents to MLH as described in Section 12 (Sale of Home By Owner If MLH Does Not Exercise Option to Purchase) of the Resale Restriction Agreement.

When the sale of your home to the Eligible Purchaser is completed, you must submit to MLH the information and documents listed in Section 12.D(7) of the Resale Restriction Agreement.

3. SALE TO A "MARKET PURCHASER"; PAYMENT OF "EXCESS SALES PROCEEDS" TO MLH

It may be the case that you are unable to locate an Eligible Purchaser within the sixty (60)-day Marketing Period following MLH's receipt of your Notice of Intended Transfer. You may ask MLH to extend the Marketing Period so that you can find an Eligible Purchaser, or you can send a written notice to MLH called the "Owner's Notice of Failure to Locate Eligible Purchaser." See Section 12.A (Marketing Period) and Section 12.E (Failure to Locate Eligible Purchaser; Unrestricted Sale) in the Resale Restriction Agreement, and Exhibit F to the Resale Restriction Agreement, which provides a form of this notice for your use.

Within fifteen (15) days of receipt by MLH of the Owner's Notice of Failure to Locate Eligible Purchaser, MLH will provide a second response notice to you stating that either (1) MLH will exercise the MLH Option to purchase the Home at the Restricted Sale Price, or (2) that you may, on or before the date which is the one year anniversary from the date of this MLH notice (the "Market Sale Expiration Date"), sell your home to a person of your choosing at a market value price, and pay MLH the "Excess Sales Proceeds" resulting from the market value sale.

It is very important to note that you may only sell your home at an unrestricted price during the twelve (12) month period before the Market Sale Expiration Date. If you wish to sell your home at any time after the Market Sale Expiration Date, you must again go through the restricted resale process described in Sections F1 and F2 above, starting by sending MLH an "Owner's Notice of Intent to Sell". MLH will again have the option to purchase your home at the restricted resale price and, if MLH does not exercise its option, you will again have the obligation to market the home to Eligible Purchasers at the Restricted Resale Price.

If you do sell your home to a market purchaser before the Market Sale Expiration Date, you will be required to give MLH specific documents and information as described in Section 12.F (Sale to Market Purchaser;) of the Resale Restriction Agreement.

The unrestricted sales price at which you sell the house to the Market Purchaser must be supported by an appraisal as described in Section 11.B (Fair Market Value) of the Resale Restriction Agreement. In addition, you must pay to MLH any "Excess Sales Proceeds" that result from the sale of your house to a Market Purchaser. You must also pay Excess Sales Proceeds to MLH if you sell or transfer your home in a way that violates the terms of the Resale Restriction Agreement.

The term "Excess Sales Proceeds" is defined in Section 13 of the Resale Restriction Agreement (Payment to MLH of Excess Sales Proceeds) as the amount by which the actual net sales proceeds you receive from the buyer exceed the projected net sales proceeds that you would have received if the home had been sold at the Maximum

Restricted Resale Price as set out in the First MLH Response Notice. Another way to put it is the following:

Net Sales Proceeds You Receive for the Home (after payment of closing costs)

MINUS

Projected Net Sales Proceeds (after payment of closing costs) you would have received from sale of home at Maximum Restricted Resale Price

EQUALS the Payment to MLH of Excess Sales Proceeds

The amount of Excess Sales Proceeds that you pay to MLH is used by MLH for other affordable housing programs it runs. MLH gave you the chance to buy your home at a price that was below-market and affordable to you. When you pay the Excess Sales Proceeds, those funds are going to help other low and moderate income families who, like you, would not be able to obtain affordable housing without MLH assistance.

Example 3 shows how the Excess Sales Proceeds are calculated.

EXAMPLE 3 You sell your house at the end of eight years. You originally paid \$175,440 for your home. The First MLH Response Notice sets the Maximum Sales Price at \$210,000. You are unable to find an Eligible Purchaser and send an Owner's Notice of Failure to Locate Eligible Purchaser to MLH. The house is appraised at \$270,000. You find a Market Purchaser prior to the Market Sale Expiration Date who agrees to buy your home at \$270,000. You must pay MLH Excess Sales Proceeds as calculated below:

Total Amount Market Purchaser Paid For House	\$270,000
MINUS	
Closing Costs You Paid	
Brokers Commission	-\$ 16,200
Seller's Share of Title Insurance	-\$ 972
County Transfer Tax	<u>-\$ 297</u>

<u>Actual Net Sales Proceeds</u>	\$252,531
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Maximum Restricted Resale Price	\$210,000
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MINUS

Projected Closing Costs for Sale at Maximum Restricted Resale Price	
Brokers Commission	-\$ 12,600
Seller's Share of Title Insurance	-\$ 720
County Transfer Tax	<u>-\$ 220</u>

<u>Projected Net Sales Proceeds for Sale at Maximum Restricted Resale Price</u>	\$196,460
Actual Net Sales Proceeds	\$252,531
MINUS	
Projected Net Sale Proceeds from Sale at Maximum Restricted Resale Value	<u>-\$196,460</u>
Amount of Excess Sales Proceeds You Pay to MLH	\$ 56,071

When the sale of your home to the Market Purchaser is completed, you must submit to MLH the information and documents listed in Section 12.E(5) (Failure to Locate Eligible Purchaser; Unrestricted Sale) of the Resale Restriction Agreement.

G. CAPITAL IMPROVEMENTS YOU MAKE TO THE HOME

If you make improvements to the home, and you want the value of the capital improvements to be taken into account when the Maximum Restricted Resale Price (or option price) is calculated, you must obtain written approval of the improvements by MLH before the improvements are made (see Exhibit G of the Resale Restriction Agreement for a form to use when requesting this approval), the initial cost of such improvements must be at least one percent (1%) of the original purchase price, and you must obtain a building permit for the improvements.

H. REFINANCE OF YOUR FIRST MORTGAGE; JUNIOR LOANS

The Resale Restriction Agreement allows you to refinance your first mortgage loan and obtain new loans secured by your home with the consent of MLH, but places restrictions on the amount of total debt that can be secured by your home. At all times, the principal amount of all debt secured by your house must not be greater than ninety percent (90%) of the Maximum Restricted Resale Price as established by MLH. If you are considering a refinance of your first mortgage, or obtaining a new loan that will be secured against your home, you must contact MLH for a calculation of the Maximum Restricted Resale Price amount before you contact your financial institution. Example 4 shows how this would work.

EXAMPLE 4 The assumptions are the same as in Example 1, except that you wish to refinance (instead of sell) your house at the end of eight years. You have no other debt secured against your home.

(a)	Original Price of Home	\$175,440
(b)	Median Income Increase	14%
(c)	multiply (a) by (b)	\$ 24,560
(d)	add (c) to (a)	\$200,000
(e)	add Appraised Value of Eligible Capital Improvements	<u>+\$ 10,000</u>
	<u>INDEXED PRICE</u>	\$210,000
(f)	90% of Indexed Price	<u>x .90</u>
(g)	Amount available for maximum principal amount of refinanced first mortgage loan	\$189,000

Please sign this Buyer's Disclosure Statement in the space provided below, and keep a signed copy for your records, and return the original to MLH:

I have read and understand the above Buyer's Disclosure Statement. I recognize, acknowledge and understand that the resale of my home is subject to normal market forces and that neither MLH nor the Town of Mammoth Lakes is required or obligated in any manner to aid me to receive any particular resale price. I further recognize, acknowledge, and understand that, depending on market conditions at the time of resale, I may incur a loss upon resale of the Home.

By: _____
Signature of Buyer

Dated: _____

Print Name of Buyer

By: _____
Signature of Buyer

Dated: _____

Print Name of Buyer