

3507 INDIVIDUAL FINANCING TO ELIGIBLE HOUSEHOLDS

3507.1 The land trust may provide individual financing to eligible households to assist in the purchase of qualified housing units that are or will be permanently affordable to households with incomes at or below one hundred twenty percent (120%) of the area median income.

3507.2 In determining whether to provide individual financing to an eligible household, the land trust shall apply, in addition to the standards and criteria required by section 3506, the following standards and criteria:

- (a) Generally accepted standards that are not considered to be predatory when reviewing the credit worthiness of applicants for land trust financing. Loans that are described in section 202 of the Home Loan Protection Act of 2002 (“HPLA”), effective May 7, 2002 (D.C. Law 14-132; D.C. Code § 26-1152.02), regardless of the lender, shall be considered predatory.
- (b) The first mortgage loan for the qualified housing unit shall not be a loan described in section 202 of HPLA (D.C. Official Code § 26-1152.06).
- (c) No first mortgage loan shall be deemed acceptable by the land trust unless it is supported by:
 - (1) A hazard insurance policy and a title insurance policy, both of which shall conform to industry standards;
 - (2) A property appraisal report, which shall conform to industry standards; and
 - (3) A written property inspection report, prepared by a licensed inspector acceptable to the land trust, which shows no current or imminent major system failure or other substantial defect, except in an acquisition or financing where the land trust is providing a loan to correct the current or imminent major system failure or other substantial defect.
- (e) A household consisting entirely of full-time students shall not be eligible for a land trust financing with the exception of:
 - (1) Students who are married or in a domestic partnership and file a joint tax return;
 - (2) Students who receive assistance under title IV of the Social Security Act, approved August 22, 1996 (88 Stat. 2351; 42 U.S.C. §§ 601 et seq.);
 - (3) Students enrolled in a job training program; or
 - (4) Students who are single parents with children who are their dependents (as such term is defined in section 152 of the Internal Revenue Code of 1986, approved August 16, 1954 (68A Stat. 43; 26 U.S.C. § 152)).
- (f) In selecting the eligible household to be provided individual financing for a specific land trust housing unit, priority shall be given to the eligible household, otherwise qualified to purchase the land trust housing unit, with the lowest household income.

3507.3 The terms of each individual financing to an eligible household shall include:

- (a) Terms consistent with a template document approved under subsection 3505.1;
- (b) A provision prohibiting a modification to the first mortgage loan that would make the first mortgage loan a loan described in section 202 of HPLA (D.C. Official Code § 26-1152.02);
- (c) A provision granting the land trust the first right to purchase the land trust housing unit, or to arrange for the purchase of the land trust housing unit by another eligible household, if the eligible household offers the land trust housing unit for sale;
- (d) A requirement that the recipient of the individual financing provide written notice to the land trust of his or her intent to sell the land trust housing unit;
- (e) The terms, conditions, and procedures by which the land trust may exercise its option to acquire or arrange for the purchase by an eligible household of the land trust housing unit for which it has received notice of intent to sell by the recipient of the individual financing;
- (f) A requirement that the proceeds of the sale or refinancing of the land trust housing unit shall be apportioned between the eligible household and the land trust under circumstances set forth in the individual financing;
- (g) The formula for the apportionment of proceeds from the sale or refinancing of the land trust housing unit;
- (h) A provision requiring that if the land trust housing unit is transferred through devise, intestacy, gift, or any other type of transfer, the subsequent owner shall be subject to the provisions of this chapter; provided, that this requirement shall not be construed to limit mortgagee rights under foreclosure or similar proceedings;
- (i) A requirement that the eligible household maintain the land trust housing unit in compliance with the Housing Code (chapters 1 through 15 of Title 14, DCMR); and
- (j) Normal and customary provisions and any other terms the land trust deems useful and in furtherance of the purposes of the Act, the Plan, or this chapter.

3507.4 Any promissory note, loan agreement, equity agreement, deed of trust, ground lease, declaration of covenants, financing statement, assignment of lease, or other legal document used in conjunction with individual financing shall not differ substantially from the template documents approved under section 3501.5.

3507.5 The land trust shall place or cause to be placed deed restrictions related to the resale and continuing affordability of each land trust housing unit assisted by individual financing.

SOURCE: Final Rulemaking published at 55 DCR 7923 (July 25, 2008).