STEWARDSHIP MANUAL

Adopted
June 7, 2025

Board Approved
May 12, 2026

RPOP's Stewardship Manual is adapted from "Stewardship Policies and Procedures Template Manual," March 2024 Grounded Solutions Network.

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HOW TO USE THIS MANUAL

Purpose of this Manual
This manual explains how Russell: A Place of Promise supports affordable homeownership and protects long-term housing stability. It outlines the rules, timelines, and processes that guide buying, financing, owning, refinancing, and reselling homes.

This manual is designed to help people make informed decisions and understand both their responsibilities and the long-term benefits of ownership.

Who This Manual Is For
This manual is intended for:

- Homebuyers and homeowners participating in the program
- Staff and partners who administer the program
- Lenders and real estate professionals involved in financing and closings
- Board and committee members who oversee policies and stewardship

How This Manual Is Organized
The manual generally follows the life cycle of purchasing and owning a home:

Section 1 – Program purpose, priorities, and partnerships
Section 2 – How affordable prices are calculated
Section 3 – Financing rules, approved loan types, refinancing
Section 4 – Eligibility, income verification, appeals, and selection
Section 5 – Resale rules and purchase options
Section 6 – Support, monitoring, and long-term stewardship

Start with the section that matches your situation rather than reading the manual from beginning to end.

Where to Find Definitions
Key terms are defined in the Glossary located near the end of this manual.

Definitions also appear in the text when important terms are used for the first time. If you encounter an unfamiliar term, check the Glossary first.

Where to Find Tools and Educational Resources
Some information is easier to understand when it's presented visually through images and examples. The following tools are referenced throughout this manual:

- Homebuyer journey flowcharts
- Income charts by household size
- Fee explanation sheets
- Loan and financing examples

- Checklists and request forms

These materials are located in the appendices at the end of this manual and/or provided through program materials and RPOP's website.

How to Use This Manual:

If you are preparing to buy a home:
Start with Sections 2, 3, and 4 to understand pricing, financing, and eligibility.

If you are a current RPOP homeowner:
Start with Section 6 to understand monitoring, fees, and responsibilities.

If you are refinancing or requesting approval for an addition:
Review Section 3 before contacting staff.

If you are planning to sell your home:
Review Section 5 first to understand resale pricing and requirements.

If you are reviewing the manual to understand policy or program operations:
Begin with Section 1.

Why This Structure Matters
This manual is designed as a reference tool. Most readers will look up specific topics rather than read the document in order. Clear navigation helps homeowners, partners, and staff find answers quickly and make better decisions.

Questions and Assistance
If you cannot find the information you need in this manual or need additional information, please contact RPOP for guidance.

How This Manual Changes Over Time

This Stewardship Manual is reviewed periodically and may be updated from time to time to reflect changes in program operations, funding requirements, applicable law, market conditions, community priorities, and best practices. RPOP will maintain the current version of this manual and make it available to relevant users.

If any provision of this manual conflicts with a recorded legal agreement, regulatory requirement, funding restriction, or applicable law, the controlling agreement, requirement, restriction, or law shall govern.

Homebuyers, homeowners, applicants, lenders, and partners are encouraged to contact RPOP with questions regarding current policies or whether a specific section of this manual has been revised.

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Section 1 - Program and Business Planning

Russell: A Place of Promise (RPOP) generates investments in the people and places of Louisville, Kentucky's Russell neighborhood. RPOP is organized as a nonprofit community land trust that aims to preserve affordability through its real estate investments in owner-occupied housing, rental housing, commercial, and community spaces for Russell residents, business owners, faith-based institutions, and community organizations. Our work is guided by the Russell Partnership Pledge, a set of shared values developed and co-written with Russell residents.

RPOP was created in 2018 to support investment in Russell without displacement of residents using interwoven strategies including network organizing; leadership development; workforce development to increase income; home/business ownership; the development of cooperative community ownership models.

RPOP's theory of change involves investing in people first to solidify long-term authentic partnership with Black residents and centering resident leadership in organizational decision-making and strategy. This approach relies heavily on direct, sustained and wide-ranging relationship-building with residents, including hiring Russell residents as part of RPOP's staff.

Investing in people before substantial investment is made in the "place" of Russell results in capital investments structured to be responsive to and rooted in the interests of Russell residents, restorative, equitable, resilient, beloved by the community. RPOP's capital and programmatic investments are transparent and accountable to residents, provide opportunity for resident ownership, rely on residents as partners, add more value than they extract, and balance risks/ returns among stakeholders including residents.

Russell Neighborhood Demographics[1].

The Russell neighborhood consists of 3,585 households. The total population of Russell is 8,896, with 2,529 individuals below the age of 18; 5,440 individuals between the ages of 18-64; and 927 individuals over the age of 65. Over 80% of Russell residents are Black. Household income is $26,950 compared to $58,196 for Jefferson County. Homeownership accounts for 17% of total households, with 83% of households renting their homes. There are approximately 1,055 vacant homes in Russell, which represents 23% of total housing units in the neighborhood. Median home value of owner-occupied homes in Russell is $57,559 compared to $178,100 in Jefferson County. Approximately 51% of renters in Russell are cost-burdened (paying more than 30% of their income on housing), and 39% of homeowners with a mortgage are cost-burdened.

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[1] Data source:
https://nyc3.digitaloceanspaces.com/metrounitedway/app/uploads/2022/08/Russell-June-22.pdf

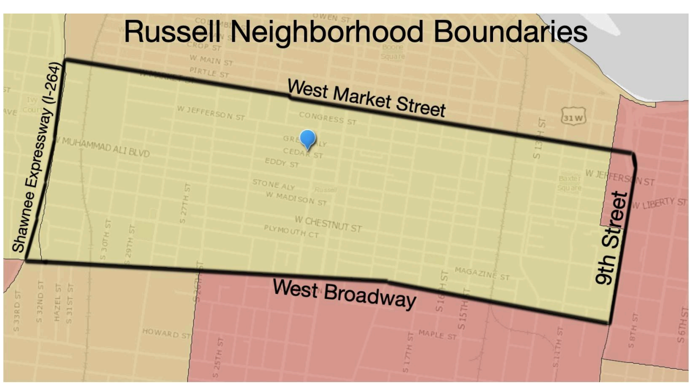
This data does not tell the complete story of Russell. Russell was inundated in Louisville's 1937 Great Flood causing substantial property damage. The devastation from the flood and slow progress for recovery, led to white families leaving the area, transitioning it to a mostly Black neighborhood. Ongoing impacts from redlining, urban renewal, predatory lending, higher insurance rates, foreclosure, hyper-policing/inequitable incarceration and sentencing practices, and lack of investment in neighborhood assets continue to impact Russell. Local urban planning strategies including the use of wide, high-speed and one-way streets, exclusionary zoning and institutional housing development disconnected Russell from downtown and exacerbated poor market conditions created by racist financial policies. As Louisville's tobacco industry shrank and other industrial jobs relocated to the suburbs without investment in public transit, employment opportunities for Black people were limited.

Russell remains the home of legacy institutions and is the historic home of outstanding and barrier-breaking chemists, civil rights leaders, teachers, lawyers, preachers, doctors and civil servants. Many residents have lived in Russell for decades, maintain its history, have pride in their homes and neighborhood, care for their neighbors and see the promise of Russell through community building and collective and individual ownership. Recent Black-led developments in Russell carry forward this tradition of excellence and represent what is possible in Russell.

RPOP's Geographic and Economic Focus Area

RPOP stewards permanently affordable housing in the Russell neighborhood, bounded by 9th Street on the east, W. Broadway on the south, the Shawnee Expressway (I-264) on the west, and W. Market Street on the north.

While most CLTs focus on families earning between 50% and 80% of Area Median Income, defined as the midpoint income for the region adjusted by household size and published annually by U.S. Department of Housing and Urban Development (HUD), is used to determine eligibility and pricing targets. RPOP will serve families earning between 50% and 120% of Area Median Income. This decision is based on existing neighborhood income demographics and RPOP's goals to increase homeownership in the neighborhood, support increased income diversity, and provide opportunities for homeownership among moderate-income families who are being consistently outpriced by the Louisville/Jefferson County housing market.



Partnerships, Team, Funding

RPOP's key implementation partners are REBOUND, Inc., HPI, and the Louisville Urban League.

RPOP's current team consists of two Interim Co-Executive Directors, one focused on RPOP's People strategies, and one focused on RPOP's Place strategies. Future team members will include assistant directors supporting the Executive Director, and team members who are specifically focused on supporting the functions described in this Stewardship Manual.

Currently, RPOP has funding to support its owner-occupied housing investments from Fifth Third Bank (the Empowering Black Futures Program) and from REBOUND to support operational needs and to offset construction costs. There are no relevant programmatic restrictions to note related to either funding source.

Manual Governance, Review, and Amendments

This Stewardship Manual is a living program document intended to support consistent administration, preserve institutional knowledge, and communicate program requirements clearly to homeowners, applicants, staff, lenders, partners, and oversight bodies. This manual is intended as a policy and operational guide. It does not replace, modify, or supersede recorded legal agreements, applicable law, regulatory requirements, or funding restrictions.

RPOP shall review this manual periodically and shall conduct a formal review no less than once every three (3) years to determine whether revisions are needed based on operational experience, community needs, funding requirements, changes in law, market conditions, and recognized best practices.

RPOP staff may recommend revisions to this manual at any time. Proposed revisions should identify the section to be revised, the reason for the proposed revision, whether the revision is administrative or substantive, and the proposed effective date.

Administrative Revisions

Administrative revisions that do not materially change program rights, responsibilities, eligibility standards, pricing methodology, resale requirements, enforcement standards, or other substantive program terms may be approved by the Executive Director or authorized designee.

Examples of administrative revisions include:

- Typographical corrections
- Formatting changes
- Updated staff titles
- Updated contact information
- Corrected internal references
- Clarifications that do not alter policy intent

Substantive Revisions

Substantive revisions that materially affect homeowner-facing program requirements, applicant eligibility, affordability pricing standards, financing policies, resale procedures, fees, monitoring and enforcement standards, appeals procedures, or other material program terms shall require approval by the RPOP Board of Directors or other authorized governing body under RPOP governance practices.

Legal and Compliance Review

RPOP should consult qualified legal counsel before adopting revisions involving recorded legal agreements, fair housing compliance, lending requirements, resale restrictions, enforcement rights, homeowner rights, regulatory obligations, or funding conditions.

Controlling Documents

If any provision of this manual conflicts with applicable law, recorded legal agreements, regulatory requirements, or funding restrictions, the controlling law, agreement, requirement, or restriction shall govern.

Revision Log and Record Retention

RPOP shall maintain a revision log identifying:

- Revision date
- Sections revised
- Brief summary of changes
- Approving authority, if applicable
- Effective date

Prior versions of this manual shall be retained in accordance with RPOP record retention practices.

Notice of Material Changes

When a substantive revision materially affects homeowner-facing obligations, rights, procedures, or expectations, RPOP shall provide reasonable written notice to affected homeowners and shall update related forms, summaries, and program materials as appropriate.

Emergency or Time-Sensitive Revisions

If immediate revision is necessary due to law, funding deadlines, compliance directives, or urgent operational need, RPOP may adopt interim administrative guidance subject to later ratification by the appropriate approving authority.

Section 2 - Affordable Pricing

RPOP serves households earning between 50% and 120% of Area Median Income (AMI). AMI is the midpoint income for the region adjusted by household size and published annually by the U.S. Department of Housing and Urban Development (HUD). RPOP uses AMI to price its homes for initial sale so that they are affordable to buyers earning 50-80% of AMI using a series of assumptions based on our target homebuyers and regional housing market. In some cases, homes may be priced for initial sale so that they are affordable to buyers earning 80-100% of AMI in order to promote mixed income options and avoid the concentration of lower income homes in a specific geography. Current AMI levels by household size are included in APPENDIX A.

The pricing methodology assumes:

- The number of bedrooms plus one equals the household size;
- A front-end ratio of 30%;
- Market-based estimates for taxes, insurance, program fee, and reserve funds for the home in question;
- Current market interest plus 1% (or a minimum of 6%);
- An estimate that buyers may borrow approximately $3,500 toward closing costs, with the ability to finance higher amounts if approved by the lender and the program and supported by affordability guidelines.
- A term of 30 years;
- The affordable price should be no greater than 80% of market value.

The following steps will be used to calculate the affordable price for any resale-restricted homes:

Criteria	Assumption/Calculation
Household size	Number of Bedrooms +1
Maximum income	AMI for household size
Target income	50% AMI for household size
Target buyer monthly income	Target buyer income/12
Max monthly housing payment using 30% front-end ratio	Target buyer monthly income*0.30
Amount available for principal and interest payment (A)	Max monthly housing payment - (est. monthly tax, insurance, program fee, reserves)
Interest rate for pricing formula (B)	Market interest rate + 1%
Anticipated down payment OR -anticipated	Most frequently the negative anticipated

financed closing costs (C)	financed closing costs
Affordable price	= Property value * (B / (12*360*A) - C
Final affordable price	Rounded to nearest hundred
Market comparison	The affordable price should be no greater than 80% of market value. If the difference is less than 20%, the price may be dropped and a lower AMI buyer should be targeted.

Section 3 - Permitted Mortgages and Refinancing

Homebuyers who purchase housing through RPOP normally secure mortgage financing to do so. All mortgage financing must comply with the following standards.

For the purposes of calculating debt ratios, “income” is the applicant’s gross annual income as calculated by RPOP.

Part 1: Acquisition Loan Requirements

- Loans must be fixed-rate, fully amortizing, and with a maximum term of 30 years.
- Front-end ratios measure housing costs as a share of income. In this program, housing costs include principal, interest, taxes, insurance (PITI), ground lease fees, and replacement reserve contributions. Total monthly housing costs should generally not exceed 30% of gross monthly household income unless otherwise approved by RPOP.
- Debt to income (back-end) ratios should not exceed 45%
- The interest rate may not exceed 2% above the Fannie Mae/Freddie Mac 30-year rates
- The following loan types are not allowed:
    - Stated income loans
    - Interest-only loans
    - Negative amortizing loans
    - Adjustable-rate loans
    - Balloon payment loans

Why Fixed-Rate Loans Matter

Fixed-rate loans help homeowners maintain stable monthly payments over time and reduce the risk of foreclosure caused by sudden payment increases.

Why Some Loan Types Are Not Allowed

Certain loan types increase the risk of payment shock or foreclosure. These loan structures can create sudden or unpredictable increases in monthly housing costs, which can strain household budgets and lead to missed payments, delinquency, or loss of the home. They also reduce long-term affordability by increasing total housing costs over time, limiting a homeowner’s ability to sustain payments, and making it more difficult to maintain stable, predictable housing expenses. As a result, these outcomes can destabilize housing and limit a homeowner’s ability to build and retain wealth.

- Adjustable-rate loans
- Interest-only loans
- Balloon loans
- Negative amortization loans

Down Payment and Closing Cost Requirements:

- Loans may be made up to 103% loan-to-value using the restricted value of the home
- Loan-to-value (LTV), defined as the loan amount divided by the home value, is used to limit risk and protect affordability using the restricted value of the home.
- Buyer is not required to provide a down payment and may borrow up to $3,500 toward closing costs
- Buyer is required to invest a minimum of 1% of the purchase price, or no less than $1,000, into the transaction via their earnest deposit or cash at closing

Part 2: Refinancing

- A homeowner must request permission from RPOP to refinance
- A homeowner may do a cash-out refinance as long as the loan-to-value ratio does not exceed 90% using the Formula Price, defined as the maximum resale price allowed under the program's resale formula as calculated by RPOP. RPOP may make an exception to this requirement if the cash is needed for repairs or home improvements that increase the potential resale value of the home.
- A homeowner may refinance a mortgage used to purchase their home regardless of loan-to-value ratio if the refinance is a straight-rate and/or term refinance of the existing principal balance plus one percent (to cover accrued interest and loan closing costs).
- Combined loan-to-value (CLTV), defined as the total of all loans divided by the home value, is used to limit risk when a second loan is added or Home Equity Line of Credit (HELOC), a revolving line of credit secured by the home, can raise payment risk because payments and interest can change. RPOP may make an exception to this requirement if the cash is needed for repairs or home improvements that increase the potential resale value of the home.
- All other acquisition loan requirements apply to second mortgages and HELOCs.

Part 3: Lender Approval and Acceptance of RPOP Restrictions

- Loans must be from an approved lender. RPOP will maintain a list of lenders that have agreed to the terms of RPOP's restrictions. This list is not intended to limit lender choice, but to ensure that lenders are familiar with RPOP's loan requirements and resale restrictions. Non-participating lenders are encouraged to contact RPOP to be added to the list.
- To ensure lenders are aware of all RPOP requirements prior to closing, lenders must provide verification that they have read RPOP's requirements and either agree to the terms and requirements as stated or provide RPOP with alternative language in the form of a rider (for example, Fannie Mae's Community Land Trust Ground Lease Rider or Freddie Mac's Community Land Trust Ground Lease Rider).
- Lenders should take particular note of the notice requirements regarding situations such as default and foreclosure outlined in RPOP's legal agreement.
- RPOP staff will meet with lenders at least once a year to educate them about the resale-restricted program and enroll them as accepted RPOP lenders. RPOP's staff will provide lenders with a Lender Information Packet and will request an email or other written documentation from the lender stating that they agree to RPOP's restrictions.

Part 4: Financing Procedures and Name Changes

Prior to closing the homebuyer/homeowner will:

- Submit a completed and signed Loan Review Request Form or Refinance/Second Mortgage Loan Review Request Form with all appropriate attachments.
- Receive a written response from RPOP staff indicating approval/disapproval of the proposed loan terms. RPOP staff will provide this response within one business week of receiving all required documentation.

For refinance loans, homeowners must:

- Submit a request for current value calculation;
- Submit updated income/debt information
- Receive a written response from RPOP staff indicating the current value of the home and approval/disapproval of the proposed loan terms within one business week of receiving all required documents.

After closing, the homebuyer/homeowner will provide RPOP with a copy of the following:

- Signed promissory note and mortgage/deed of trust;
- Closing Disclosures/Settlement Statement/Truth-in-Lending Disclosure
- Homeowner Consent to Third Party Notice Form
- Signed Permitted Mortgagee Agreement

In the event that the name on a homeowner’s mortgage or deed changes, RPOP will prepare an addendum to the legal agreement that references the original legal agreement and adds or removes the name. The addendum must be signed by all affected parties and recorded in the office of the Clerk of Jefferson County, Kentucky. The homeowner will pay for the cost of recording.

Section 4 - Eligibility Criteria, Appeals

Part 1: Fair Housing and Affirmative Marketing

RPOP will strive to ensure fair and equal housing opportunities for all and to affirmatively further fair housing. RPOP's Fair Housing and Affirmative Marketing commitment is based on the following principles:

- Access to housing is based on qualification without discrimination based on race, color, sex, religion, national origin, physical or mental disability, familial status, age, ethnic background, political affiliation, sexual orientation, gender identity, veteran status, receipt of public assistance, or any other protected characteristic as established by local, state or federal law.
- RPOP will advertise its housing opportunities through a wide range of means with the goal of reaching the broadest possible range of potential homebuyers.
- The Fair Housing logo shall be prominently displayed on RPOP's website, on applications for housing, on flyers and other promotional materials, and on advertisements for rental or for-sale housing.
- RPOP shall strive to have the homebuyers represent, at minimum, the demographic characteristics of our service area.

This commitment complements RPOP's other policies and practices, including the Eligibility Criteria section of this Stewardship Manual.

To implement RPOP's Fair Housing and Affirmative Marketing Policy, RPOP will undertake the following marketing activities:

- RPOP will market its homes on the internet, through direct canvassing in the Russell neighborhood, and by placing flyers in public places in Russell and other locations throughout the city.
- Ads or flyers will be posted at least quarterly with content focused on specific homes for sale or with more general information about RPOP and how to apply for housing. RPOP maintains an applicant pool, so it is possible that when a home becomes available for sale, there will already be a buyer ready to purchase. It may not be necessary to advertise specific homes for sale at the time they become available. RPOP may therefore choose to advertise more generally using an invitation to apply for housing.
- RPOP staff, board members, and partners will participate regularly in community service networks and attend meetings of other community-based organizations with the goal of promoting RPOP's housing opportunities.

EQUAL HOUSING
OPPORTUNITY

Part 2: Eligibility Criteria

RPOP's goal is to provide high quality, safe, and affordable homeownership opportunities to low-income households that are adequately prepared for success. To ensure RPOP meets this goal and satisfies additional regulatory requirements, applicant households must meet all of the following eligibility criteria to be considered for a home:

- Income qualification. The applicant household may not earn more than 120% of the area median income as adjusted for household size.
- Homebuyer education. All applicants must complete an approved homebuyer education course offered by a HUD-approved homebuyer education provider; an introductory workshop hosted by RPOP to learn about RPOP and the process for becoming a homeowner with RPOP. Additional housing counseling may be available, but is not required. Similarly, a buyer's lender may have additional homebuyer education requirements.
- Mortgage Readiness. Applicants must be able to secure their own financing to purchase a home. It is the applicant's responsibility to seek approval from an approved lender for a purchase loan that meets RPOP's policies.
- Down Payment and Closing Costs. RPOP does not have a minimum down payment requirement. Applicants may borrow up to $3,500 toward closing costs. The buyer is required to invest a minimum of 1% of the purchase price of the home, or no less than $1,000, into the transaction using their earnest deposit or cash at closing.
- Household Size. RPOP will make an effort to match household size with home size. Applicants whose household size is equal to or greater than the number of bedrooms in the home will typically have preference.

What costs should you expect as a homeowner?

Buying a home includes one-time costs and ongoing monthly costs. Understanding these costs ahead of time helps you plan, avoid surprises, and determine whether a home is affordable.

- Before Purchase
  - Earnest money deposit
  - Home inspection
  - Appraisal
- At Closing
  - Loan fees
  - Title and recording fees
  - Attorney fees
  - Prepaid property taxes and homeowners insurance
  - Realtor fees, if not paid by the seller
- After Move-In/ Monthly Housing Costs
  - Mortgage payment (principal and interest)

- Property taxes
- Homeowners insurance
- Program fee
- Replacement reserve contribution

Property taxes and homeowners insurance are typically included in your monthly mortgage payment through an escrow account. The mortgage lender collects these amounts each month and pays the tax and insurance bills on your behalf when they are due.

- Ongoing Homeownership Costs
  - Maintenance and repairs
  - Utilities
  - Unexpected expenses

Part 3: Income Qualification

Households must have gross annual income no greater than 120% of the area median income for Louisville, Kentucky, as updated annually by the United States Department of Housing and Urban Development (HUD). Information about AMI for Louisville, Kentucky is available here.

Household gross annual income is projected for the next twelve (12) months using the HUD Part 5 methodology, which includes:

- All employment earnings for household members 18 or older who will be residing in the home. This includes any and all employment held during the year, including full-time, part-time, seasonal, self-employment, or other forms of employment.
- The full amount of periodic payments received for all household members from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts, whether or not they are declared on the income tax return for the previous year.
- Payment in lieu of earnings, such as unemployment and disability compensation, worker's compensation, and severance pay, whether or not they are declared on the income tax return for the previous year.
- Child or spousal support payments.
- Public assistance payments of any type.
- Investment income, interest, and dividends.

All household members who filed tax returns must provide signed or Internal Revenue Service (IRS)-verified copies of their personal income tax returns, including associated W2 forms, for the previous two (2) years.

All household members who are 18 years of age or older who are not full-time students and who claim no taxable income, or who cannot provide copies of tax returns or other acceptable proof of income, must provide a Summary Income Statement. This statement is generated by the IRS and should delineate the individual's income over the past three (3) years. Applicants can obtain this statement free of charge by contacting the IRS at 800-829-1040 or 800-829-4059 Telecommunications Device for the Deaf (TDD) and asking for Accounts Information, or by visiting the IRS website at www.irs.gov. When contacting the IRS, applicants are advised to have proof of ID available, including state ID/driver's license and Social Security Number.

In addition to tax returns, applicants must provide specific documentation based on the source of their income:

Income Source	Documentation Required
Wages and Salaries *Note: Gross income is used to calculate all wage and salary income*	• W-2 (Wage and Tax Statement) for the previous two (2) years • Pay stubs for the three (3) most recent consecutive pay periods (third-party verification of income may be used in lieu of or in addition to pay stubs if income is seasonal or inconsistent through the year)
Self-Employment Earnings *Note: Net business income is used to calculate all self-employment income*	• Signed or IRS-verified federal business income tax returns (including Schedule C) from the previous three (3) years • Year-to-date income and expense reports for self-employment
Periodic Payments Payment in Lieu of Earnings Public Assistance	• The most current statements from the agency providing payments showing monthly/yearly income
Child Support Spousal Support Note: If support was awarded but is not received, it will not be counted as income	• Parenting plan or divorce decree documenting support amount • Documentation of monthly receipt of support for the past 12 months
Investments	• The most recent statement for each account

Asset Disclosure. Applicants must provide a list of all assets that are owned, used, controlled, shared, or jointly held with or for another person or persons. The list shall include the type of asset, the current value, the amount owed (if any), the name and address of the lender (if any) or brokerage, and the account number. For real property, the applicant must provide the address, the acquisition date, and the current market value of the asset. For investment accounts, the most recent quarterly statement may be used to verify the current value.

Assets include checking and savings accounts, stocks, bonds, cryptocurrency, equity in real property (other than the household's full-time residence), jewelry, antiques, art, coin or stamp collections, boats, planes, and similar items of value. Cars, furniture and other necessary items, as well as funds dedicated to federally-recognized retirement or college savings programs such as 401ks, IRSs, Keoghs, company retirement plans, and 529Bs are not included.

Income from assets that will be used towards a down payment may be excluded from the applicant's income calculation and asset limit test, if applicable. All other income from assets will be included in the total household income based on the actual income derived or at the current HUD passbook savings rate, whichever is greater.

Lump sum assets received in the year prior to applying for the purchase of a home may be treated as income depending on the source.

Expiration of Income and Asset Documentation. Verifications of household income and assets are valid for six (6) months after their initial acceptance date. If a home sale has not occurred within six (6) months of an applicant's initial acceptance date, the applicant must submit current/updated documentation of income for all household members and current/updated documentation of all assets for all household members.

Homebuyer Education. Each household wishing to purchase a home must successfully complete homebuyer education at a HUD-certified counseling agency to ensure that they are mortgage-ready and understand the risks, responsibilities, and rewards of homeownership. All adults in the household must receive a certificate of completion and must submit these certificates with their application. RPOP will accept a homebuyer education certificate for up to two years after the course is completed. Approved local homebuyer education agencies include:

HPI
Louisville Urban League
Apprisen
E-Home America

Mortgage Readiness, Down Payment and Closing Costs. Documentation accepted for the financing and down payment /closing costs requirements must include:

- A preapproval letter from the approved lender;
- Bank statements showing the cash deposit funds needed to cover down payment and closing costs, if they will be paid out of pocket, in the applicant's account

RPOP will notify applicants in writing if their application is unclear or incomplete, and applicants will be given time to respond with clarifying and/or supplemental information.

Part 4: Applicant Appeals

If an applicant is found to be ineligible, RPOP will notify the applicant in writing and provide the specific reasons for ineligibility. The applicant will be given time to respond and an opportunity to appeal the determination in accordance with this Part 4.

Appeals Process. Applicants who are determined to be ineligible based on the eligibility guidelines may submit a written request to appeal the determination. Appeals must be submitted within two (2) weeks of the applicant's receipt of the initial determination of ineligibility. The request should be addressed to Russell: A Place of Promise, and submitted to housing@russellpromise.org. The applicant may resubmit eligibility documentation at the time of appeal. RPOP or its designee will convene a meeting of the Appeals Committee to hear the appeal and make a recommendation.

Notification of Decision. RPOP will send written notice to the applicant within 30 days of the receipt of the appeal stating a summary of the Appeals Committee's decision and reasons for that decision.

Secondary Appeal. The applicant may choose to appeal the Appeals Committee recommendation to the RPOP Board of Directors, which will hear and consider the appeal within 45 days of a request by the applicant. All Board rulings on appeals are final. The Board may establish cost recovery fees for secondary appeals.

Part 5: Applicant Pool and Applicant Selection

RPOP maintains an applicant pool of prospective homebuyers to match new homes with buyers as quickly as possible. To enter the applicant pool, households must:

- Attend an introductory workshop hosted by RPOP;
- Attend an approved homebuyer education class; and,
- Fill out RPOP's preapplication form, including contact information, self-reported income, household size, and residential and employment information.

Households whose self-reported income does not qualify will be notified by RPOP that they are ineligible and will not be entered into the applicant pool. The pre-application form expires after two (2) years, after which the household must resubmit an updated form to remain in the applicant pool.

When a home becomes available, the following procedure will be followed:

- RPOP will provide emailed notice to all households in the applicant pool of the opportunity, including any pre-determined preferences for the homes in question, which may include family size, focus on Russell renters, income criteria, or similar preferences permitted under applicable fair housing laws and consistent with RPOP's community stabilization, anti-displacement, and affordability goals. All preferences shall be applied uniformly and in compliance with federal, state, and local fair housing laws, and with a request for interested households to respond within seven days noting their desire to purchase and their self-identified alignment with any stated preferences. This response may consist of a reply to RPOP's email or of filling out an online form noting interest.

- RPOP will add names to a lottery based on responses received within the specified window, including alignment with any stated preferences. At least one (1) and no more than three (3) families will be selected at random from the lottery.
- Selected families will be notified of their invitation by email and will have fourteen (14) days to provide a full application. RPOP staff will review these applications and will select the family with the strongest application, considering alignment with any stated preferences, ability to obtain financing, overall financial readiness to own, and other factors, to proceed with the sale.

Part 6: Legal Document Review

To ensure that all homebuyers understand the terms of the transaction they are entering into when purchasing a resale-restricted home, all homebuyers shall meet one-on-one with RPOP staff prior to closing to review all legal documents and the resale formula. Legal ownership interests, deed restrictions, lender rights, ground lease obligations, and any trustee, grantor, or beneficiary roles are governed by the recorded legal documents executed at closing. All applicants are strongly encouraged to meet with a licensed attorney to review the legal documents and any other legal restrictions associated with the resale-restricted home. The cost of this meeting shall be paid for by the homebuyer, but RPOP will attempt to solicit a list of attorneys willing to review documents at a reduced fee.

Section 5 - Resales

Part 1: Resale Formula

RPOP's legal agreement includes a resale formula that restricts (or caps) the price at which the home may be sold in the future. This is called the Formula Price. Formula Price, meaning the maximum resale price allowed under program rules, protects affordability for the next buyer. The Formula Price takes into account the original affordable price that the eligible buyer paid, plus the leasehold interest in the land if applicable, and increases that number by 2% simple interest every year. It is important to remember that this is not a guarantee of appreciation, it is a cap. If RPOP staff believes that the value of the home is less than the Formula Price, RPOP will order and pay for an appraisal of the home. If the appraised value of the home is less than the Formula Price based on the appraisal, the appraised value becomes the cap.

If the homeowner has had any capital improvements approved by RPOP staff, the value of those improvements will be calculated using information and processes contained in the Capital Improvements section of this Stewardship Manual and added to the resale price.

Homeowners are strongly encouraged to obtain written approval from RPOP prior to beginning major improvements in order to confirm whether the proposed work may qualify for future resale credit consideration.

Example Resale Formula Calculation:

Original Price: $150,000
Resale Formula Price: $165,000
Approved Capital Improvements: $8,000
Calculated Price: $173,000

If the affordable price for the next buyer is $170,000, the resale price is capped at $170,000.

What Wealth Building Means in This Program

This program is designed to support long-term stability and steady financial progress. Wealth building here works differently than in traditional housing markets.

Homeownership in this program supports wealth building in four ways:

1. Stable housing costs over time
   A fixed-rate mortgage keeps the largest portion of your payment steady. In addition, the program's resale formula and appreciation cap help limit rapid increases in home values, which can support more predictable property tax assessments over time. Together, these

features help reduce unexpected increases in total housing costs and support long-term affordability.

2. Ability to build savings
   Stable payments make budgeting easier and reduce financial stress.
3. Protection from rising market prices
   Market rents and home prices often rise faster than wages. Ownership protects against those increases.
4. Limited equity growth through the resale formula
   The resale formula allows homeowners to build equity while keeping the home affordable for the next buyer.

Example
In a traditional homeownership model, a home purchased for $150,000 may increase in value to $250,000 over time. As the home value increases, property taxes are typically reassessed at a higher value, which can lead to significant increases in annual tax payments and overall monthly housing costs.

In a community land trust model, the same home may have a resale-restricted value that increases more gradually, for example from $150,000 to $180,000. Because the increase in value is more limited, property tax assessments may also increase at a slower pace. This can help reduce sharp increases in property taxes and support more predictable housing costs over time.

Why Resale Restrictions Exist

The resale formula is designed to balance two goals:

- allowing homeowners to build equity
- preserving affordability for future buyers

Part 2: Home Inspection Requirement

Prior to a resale, the prospective homebuyer must complete a home inspection. A home inspection is an objective visual analysis of a home's structure and systems that determines whether there are areas of the home that are not performing properly, items that are beyond their useful life, or items that are unsafe. The inspection includes a survey of both the exterior and interior, from roof to foundation, and looks for evidence of current or past issues with pests such as termites. The inspection and written report should include at least the following components:

- A review of the condition of major home systems, including heating and air conditioning, plumbing, electrical, roof, attic, visible insulation, walls, ceilings, floors, windows, doors, foundation, basement or crawl space, landscaping, and other visible structures on the property.
- An estimate of the approximate remaining useful life for the home's major systems.

- Recommendations and basic cost estimates for repair or replacement of items described above that have less than 1/4 of their useful life left or that are clearly unserviceable.
- Basic home maintenance how-to information for the homebuyer that provides information needed to properly maintain the home.

Home inspections typically cost around $500 depending on the size of the home and how extensive the inspection is. It may also be necessary to pay for a separate pest inspection depending on the skills and expertise of the home inspector.

As part of the resale of a resale-restricted home, a home and pest control inspection must be conducted by a licensed inspector. The homebuyer must arrange and pay for a home inspection to be performed no earlier than two (2) months before closing is scheduled. The homebuyer must provide a copy of the home and pest inspection report(s) to RPOP for review.

RPOP reserves the right to require the seller to repair any conditions identified in the home and pest inspection report(s) as a precondition to approving a resale. If repairs are required, RPOP will provide the seller with a list of all the required repairs and reference any details provided in the original inspection report(s). If the seller is unable to complete the repairs before closing, but is able to secure estimates for repairs and withholds funds from the seller's proceeds to pay for the repairs after closing, RPOP may allow the closing to proceed.

Part 3: RPOP Purchase Option

RPOP's legal documents create an option that allows RPOP to purchase a home from a homeowner rather than having it sold to a new homebuyer. RPOP will exercise its option to ensure that the appropriate homes remain available at affordable prices and in good repair, to support its ability to finance repairs, to adjust the affordable price, or to make similar modifications to ensure that the home serves RPOP's mission for the long term.

In deciding whether to exercise its option to purchase, RPOP will consider:
- Whether the calculated Formula Price is affordable to RPOP's target market;
- Whether RPOP has qualified buyers in its applicant pool;
- Whether the home is in an appropriate condition and location to support RPOP's goals.

Part 4: Applicant Selection at Resale

If RPOP does not exercise its option to purchase a home at resale, the resale process will mirror the initial applicant selection policy and procedure described in Section 4, Part 5 of this Stewardship Manual. RPOP will have 90 days to review applications, certify eligibility, and select a buyer from its applicant pool with the remainder of the transaction taking place directly between the seller and the buyer in accordance with this Stewardship Manual and RPOP's legal documents.

If RPOP fails to find a buyer within the first 90 days of the receipt of notice of intent to sell from the homeowner, the homeowner may choose to sell the home to any income-eligible buyer. Such a sale shall not be for more than the applicable resale price as determined by the RPOP legal agreement. The prospective buyer is required to submit all required documentation to RPOP to determine their eligibility to purchase the home, and RPOP will evaluate their eligibility using the standards contained in this Stewardship Manual. The homeowner must, in securing an income-eligible buyer outside RPOP's process, abide by all federal, state, and local fair housing regulations when marketing the home and selecting a buyer.

Section 6 - Support, Monitoring, and Enforcement

Part 1: Document Retention

RPOP ensures that documents are retained for proper management and reporting, and to enforce and monitor programmatic restrictions it has in place at properties RPOP has assisted with its funds. Document retention shall comply with state laws pertaining to nonprofits and real estate transactions, and with any additional specific requirements imposed as a result of funding awards received by RPOP.

RPOP will keep originals of all irreplaceable documents essential to each transaction, including legal agreements, plus a scanned/digital copy, and may keep other critical documents in either scanned/digital or hard copy form, including correspondence and appraisals. Original documents shall be protected from daily use and kept in a place that is secure from fire, floods and other damage.

Financial records, supporting documentation, statistical records, and other records pertaining to funding awards from external sources shall be retained as of the date of the submission of the final expense report. If any litigation, claim, or audit is started before the expiration of the retention period, said records shall be maintained until all litigation, claims, or audit findings have been resolved and final action taken regardless of whether the retention period ends prior to the conclusion of these actions.

Records for real property and equipment acquired with federal funds shall be retained according to the federal records retention schedule, and for no less than seven years after the final disposition of said property.

Records Pertaining to Homebuyers. RPOP will maintain for an indefinite period, digital files for every homebuyer, which will include at minimum:

- An application form and supporting documentation
- Third-party income verification
- Eligibility certification
- Approval letter
- Appeals decisions, if any.

Incomplete applications will be retained for up to three years after the notice of ineligibility is provided to the applicant.

Files pertaining to any changes to the applicant pool, including actions taken, documentation of any activity that impacts a particular applicant, and pre-application forms for all applicants whose status in the applicant pool is active will be retained indefinitely.

Records Pertaining to Homes. RPOP will maintain an electronic file on every home for the length of the affordability period. The file will contain at minimum:

- Street address and legal description;
- Base sale price;
- Inspection report(s)
- Appraisal report(s)
- Description of the home, including number of bedrooms and bathrooms, square footage, and floor plan, if available;
- Description of accessibility features, if any;
- Signed legal agreement and any affordability control or restrictive document, including deeds, recapture mortgages, or disclosure statements;
- Application materials, verifications, and certifications of all present owners, including pertinent correspondence, documentation of home improvements, hardship or income waivers, or other approvals granted by RPOP;
- Any regular monitoring reports or files.

Part 2: Occupancy and Leasing

The homebuyer shall occupy the home as their principal residence. As an owner-occupant, the homeowner is entitled to rent or lease a portion of their home, subject to all requirements of local ordinances concerning the renting of residential property. In some cases, as described below and as outlined in RPOP's legal agreement, the homeowner may rent or lease the entire home for up to three months.

Consent Required. The homeowner may rent or lease the entire home to a renter only after receiving prior written approval from RPOP, and only for the limited purposes described in this Stewardship Manual. The homeowner agrees that RPOP shall have full and broad discretion to withhold such consent to further the mutual purposes and goals set forth in the legal agreement.

If permission is granted, any assignment, lease, or rental of the home shall be subject to the following conditions:

- Tenant obligations. Any rent paid by the tenant may not be greater than one hundred percent (100%) of the homeowner's current monthly housing costs. Housing costs shall be defined as loan principal and interest payments, mortgage insurance and property insurance premiums, real estate taxes, water and sewer charges, utilities, replacement reserve fee, and RPOP's administrative fee. If a homeowner does not have a mortgage, RPOP may approve a different amount of rent. Furthermore, the tenant shall be subject to all of the terms of the legal agreement (except income eligibility criteria). In the event RPOP approves a sublease for longer than three months, the tenants must be income eligible.

- Term of lease. The homeowner may lease the home to the tenant for a period not to exceed three months in any one-year period. The homeowner may not lease the property for any period of time without RPOP's prior written approval.
- Rental agreement. Any lease or rental agreement shall be in writing. Before the date when it becomes effective, a copy of the lease or rental agreement shall be provided to RPOP, along with those documents which RPOP finds to be reasonably necessary in order to determine compliance with this section. Irrespective of the contents of any rental agreement, the homeowner remains responsible for the home and all the associated provisions in the legal agreement. The homeowner shall also provide RPOP with their contact information while they are not occupying the home, along with contact information of the tenant.
- Breach. Any rental of the home that does not comply with the terms of this policy shall be subject to the following enforcement actions:
    - RPOP may impose reasonable enforcement remedies, including administrative fees, corrective action requirements, reimbursement of related costs, or other remedies permitted under the legal agreement
    - RPOP shall require that the tenant vacate the premises within 60 days and shall require that the homeowner pay the tenant's reasonable relocation costs.

The provisions above notwithstanding, if the homeowner has notified RPOP of his or her interest in selling the home as required by the legal agreement, and if title to the home has not been transferred within 120 days after the homeowner started to make bona fide efforts to sell the home, then the homeowner may rent or lease the entirety of the home for 18 months or until the time when the property is transferred to the subsequent homeowner, whichever occurs first.

Extenuating Circumstances
Notwithstanding the foregoing, there may be circumstances that require the homeowner's extended absence from the home. In such an event, the homeowner may petition RPOP for a residency waiver to waive the occupancy requirement and to extend the lease term. RPOP may grant a waiver for the following extenuating circumstances:

- The homeowner wants to go to school out of town.
- The homeowner is laid off and wants to stay with family until they find employment.
- The homeowner has been called for military service.
- The homeowner wants to serve in the Peace Corps or another mission-based program that requires temporary relocation.
- The homeowner's employer is temporarily sending the homeowner to a workplace a great distance from the owner's home.
- The homeowner needs to provide care for a family member.
- The homeowner needs to seek specialized out of town medical care.
- Other circumstances approved by the board.

The homeowner must provide documentation supporting a request for a residency waiver. Acceptable documentation includes, but is not limited to, school enrollment records, military orders, or verification of participation in a service program such as the Peace Corps.
The Program shall approve or deny a residency waiver request in writing within 14 business days after receipt of all required documentation. In time-sensitive situations, the Program may expedite its review.

Initial residency waivers may be granted for up to 12 months, depending on the reason for the request. Requests for extensions require updated documentation and additional review and written approval by RPOP.

If the Program denies a residency waiver request, the homeowner may appeal the decision within 30 days after the date of the written notice of denial. If the homeowner does not submit a written appeal within 30 days after receipt of the notice, the denial shall be final.

How Escrow Works
Many lenders include taxes and insurance in your monthly payment. The lender holds these funds and pays the bills when due.

Why Taxes May Differ in This Program
Under the CLT model, the homeowner owns the home and leases the land. Property tax treatment depends on local assessment practices, applicable law, and decisions made by the local taxing authority. While resale restrictions may influence assessed value in some situations, RPOP cannot guarantee reduced property taxes or specific assessment outcomes..

Example
If the market value of a home is $220,000 but the restricted value is $150,000, the assessed value may reflect the restricted value depending on local assessor practices. If the tax rate is 1.2%, taxes on $150,000 would be $1,800 annually instead of $2,640.

How Assessed Value Works
Local taxing authorities assign a value to the property. Taxes are calculated based on that value and the tax rate

Part 3: Insurance, Property Taxes

RPOP’s legal agreement requires that homeowners carry adequate homeowner’s insurance to pay for the replacement cost of the home and that certificates of insurance be delivered to RPOP annually. If units without adequate coverage are identified by RPOP, RPOP will follow up with individual homeowners.

RPOP’s legal agreement requires that all homeowners pay the property taxes associated with their home. If RPOP identifies any properties as delinquent, RPOP will follow up to notify the homeowner and support the homeowner in contacting the county and/or their lender to ensure prompt payment.

The process for enforcing this policy can be found in the Monitoring and Enforcement section in this Manual.

Part 4: Home Maintenance

Condition. The homeowner shall maintain the property in good, safe, and habitable condition in all respects, except for normal wear and tear, and in full compliance with all applicable laws, ordinances, rules, and regulations of any governmental authority with jurisdiction over matters concerning the condition of the property. The property must meet these minimum housing standards:

- No pest report findings (termites or ants);
- No obvious signs of dry rot or mildew;
- Functioning roof without obvious signs of deterioration;
- Gutters direct water away from the house;
- Siding or other exterior cladding materials (such as brick) and trim are in good condition;
- Exterior paint is in acceptable condition, and in compliance with the Louisville Metro Property Maintenance Code;
- Foundation walls are in good condition;
- Crawl space or basement is dry, with no water penetration and with appropriate vapor barrier;
- Decking/stoops have safety rails if required by code;
- All windows and doors are in functioning condition;
- Operable windows have screens;
- Functioning hot water heater;
- Functioning interior heating and air conditioning system;
- Functioning and properly grounded electrical system and fixtures;
- Plumbing system and fixtures are in working order without obvious damage;
- Floor coverings do not have holes, tears, or missing sections.

Cost of Maintenance. The costs required to maintain these minimum housing standards are the responsibility of the homeowner. The homeowner shall not permit any mechanics' liens to be recorded against the property.

Inspection at Resale. Shortly before the resale price limit is determined, RPOP shall have the right to inspect the property to determine whether the homeowner has complied fully with the maintenance obligations set forth in this policy, and to confirm that any improvements have been completed in a satisfactory manner and the reasonable value thereof. If a buyer has been identified, RPOP may choose to rely upon the buyer's inspection.

Repairs Prior to Resale. The homeowner is responsible for repairing any items noted in the inspection as a repair or a health and safety item prior to closing. If the homeowner lacks sufficient funds to pay for such repairs, RPOP may withhold 150% of the estimated cost of those repairs from the seller's proceeds. Those funds will be used to pay for the repairs after closing. Any unused funds after the repairs are completed will be returned to the seller.

Part 5: Replacement Reserve Fund

The homeowner is solely responsible for all maintenance, repairs, and replacements necessary. RPOP's replacement reserve fund was established to help homeowners maintain the integrity of the exterior shell of their home over time. Since all owners of a home "consume" a portion of various building components (like a roof) during their tenure, RPOP manages a fund that will enable all owners over time to contribute to the replacement of certain building components that they "consume" while they own the home. *RPOP acknowledges that the fund will not be adequately capitalized to pay for these expenses in full and the homeowner that incurs the cost is solely responsible for any costs not covered by the replacement reserve fund.*

A replacement reserve fee will be collected on a monthly basis from each homeowner and held in a replacement reserve fund for the home. The fee is intended for – and will remain with – the <u>home</u> and not the homeowner. In the event the home is sold or transferred by the homeowner, the unused funds will be retained in the replacement reserve fund by RPOP for the home's future maintenance and repair needs <u>and will not be recoverable by or returned to the homeowner.</u>

Fees will be assigned based on family income as calculated on the sale (or resale) of the home as follows:

Families earning between 50-79% AMI: $40/month
Families earning between 80-99% AMI: $60/month
Families earning between 100-120% AMI: $100/month

Acceptable uses of the replacement reserve fund include the following:

- Painting (including scraping & caulking) the exterior of the house, providing the existing paint has reached the end of its useful life;
- Siding repairs or masonry repair/tuckpointing;
- Siding replacement, providing the existing siding has reached the end of its useful life;
- Roof repairs (this does not include maintenance such as moss removal);
- Roof replacement, providing the existing roofing has reached the end of its useful life;
- Window replacement, providing the window has reached the end of its useful life;
- Additional items may be approved by staff if they align with the intent of protecting the exterior or structural integrity of the home.

Homeowners requesting use of replacement reserve funds must submit a written request, contractor estimate, and supporting documentation to RPOP prior to work beginning, except in emergency situations involving immediate threats to health, safety, habitability, or property preservation.

The funding within each replacement reserve fund shall be distributed on a reimbursement basis for repairs across building components (e.g., roofing, painting, siding, windows, etc.) based on a reserve analysis of the cost and the expected life of each building component. When funds are distributed to reimburse the cost of work to the home, the maximum amount distributed for any specific building component (e.g., roofing, painting, siding, windows, etc.) shall be limited to the amount in that home's portion of the fund, not the fund as a whole.

Example: If a maintenance reserve fund that contains $3,400 is divided to provide $2,400 is for roofing and $1,000 for painting, a $3,500 roof repair cannot be covered using paint funds unless approved by RPOP policy.

In order for funds to be distributed to a homeowner, the homeowner must provide RPOP with a request for reimbursement for their expenses along with applicable receipts for materials and labor. In situations where a homeowner does not have the financial ability to pay for repairs upfront, RPOP may approve direct payment to contractors or alternative payment arrangements. RPOP will release funds at its sole discretion and only if the requested use is found to be necessary and in accordance with the fund's intended use. RPOP may reasonably refuse to provide funds if the requested use is for purely aesthetic exterior alterations (such as a change in paint color when existing paint was still in good condition) or to repair items damaged by neglect.

In emergency situations involving immediate threats to health, safety, habitability, or property preservation, homeowners should notify RPOP as soon as reasonably possible. RPOP may approve expedited reserve fund use on a case-by-case basis.

RPOP may provide homeowners with an annual statement reflecting replacement reserve contributions, approved disbursements, and reserve balances associated with the property.

Funds must be requested within 12 months of completion of work.

Why Replacement Reserves Matter
Replacement reserves help homeowners prepare for major repair costs over time, such as roofing, siding, or exterior repairs, while helping preserve the long-term condition of the home.

Part 6: Capital Improvements

*Homeowners are advised to contact RPOP **BEFORE** taking on any actions to construct, alter, or expand their homes.*

Definition of “Capital Improvement”
A “capital improvement” is a permanent improvement to the property made during the homeowner’s ownership of the property. Homeowners can receive credit for capital improvements on a sale of their home if the capital improvement is one which:

- Has a cost in excess of 10% of the initial purchase price originally paid by the homeowner;
- Does not consist of maintenance to an existing feature of the home;
- Has a useful life of greater than ten years subsequent to a proposed resale or transfer by the homeowner; and,
- Has been made with all required permits and approvals, including without limitation governmental approvals obtained prior to the construction or installation of the capital improvement(s).

The following table shows some examples of what is and is not considered a capital improvement. This is NOT an exhaustive list.

Capital Improvement	Not a Capital Improvement
● Adding a deck or porch ● Adding a cover for a deck or porch ● Adding a garage ● Remodeling a kitchen	● Interior or exterior painting ● Replacing an existing garage door ● Repairing or replacing an existing heating or cooling system, or water heater ● Replacing windows or roof

Construction and Alteration. Any homeowner-initiated construction in, about, or to the property requiring issuance of a permit from Louisville Metro Government is subject to ALL of the following conditions:

- All costs shall be borne and paid for by the homeowner;
- All construction shall be performed in a good and satisfactory manner and shall comply with all applicable laws, codes, and ordinances;
- All construction shall be consistent with the permitted uses set forth in RPOP’s legal agreement;
- Prior to commencing construction, the homeowner shall provide RPOP with a copy of architectural drawings showing the dimensions of the improvement and copies of all permits and governmental approvals necessary for such construction;
- Construction shall not commence without RPOP’s prior written approval. The homeowner will not receive any financial credit for such improvements unless they comply with this section of the Stewardship Manual.

Credits for Capital Improvements
At the time of sale of the home, a homeowner shall receive credit for capital improvements made to the property according to the following process:

- When providing notice of intent to sell, the homeowner shall deliver to RPOP a completed Qualified Capital Improvements Application that lists the approved capital improvement(s), if any, made to the property. RPOP shall determine whether the proposed improvements qualify as capital improvement(s) as defined in this policy.
- The value of capital improvements shall be calculated, based on an appropriate value estimating tool (e.g., 4Clicks software) available to RPOP staff, with depreciation calculated according to market standards.

Approved improvements may increase the assessed value of the home. RPOP may report improvements to the Property Valuation Administrator. Homeowners should expect possible increases in property taxes.

Affordability Cap
The adjustments for capital improvements set forth above shall only be made to the extent they do not cause the resale price to exceed the affordable price of the property. The affordable price of the property means a purchase price that is affordable to an income eligible household as such price is calculated by RPOP using the maximum affordability standards set forth in RPOP Affordable Pricing Methodology in effect at the time of the calculation.

Example: If the formula price exceeds what is affordable for the next income-qualified buyer, the resale price will be reduced to match the affordable price limit.

Appeals

RPOP will notify the homeowner in writing if their Qualified Capital Improvements Application is unclear or incomplete. The homeowner will be given time to respond with clarification and/or necessary information. If the homeowner's request for capital improvement credit is denied, RPOP will notify the homeowner in writing and provide the reasons for the denial. The homeowner will be given time to respond and given notification of an appeal process, which shall mirror the appeal process outlined above for applicants who are deemed ineligible for inclusion in the applicant pool.

Part 7: Program Fees and Late Charges

RPOP has provided financial assistance to make homeownership affordable for low- and moderate-income households and has accepted the responsibility for ongoing monitoring of the homes it has supported. To defray its administrative expenses, including monitoring and stewardship, RPOP collects a monthly Program Fee of $25 from each homeowner as additionally outlined in RPOP's legal agreement. This Program Fee is provided in consideration of the possession, continued use, and occupancy of the home at a below-market price.

The program fee shall be payable to RPOP, at the address specified in the legal agreement as RPOP's address, by the 15th day of each month for as long as the legal agreement remains in effect. If the legal agreement commences on a day other than the first of the month, a prorated portion of the program fee shall be paid for the balance of the month at the time the legal agreement is executed. In the event that any amount of payable program fee remains unpaid when the home is sold and the legal agreement is terminated or assigned to another party, the amount of payable program fee shall be paid to RPOP out of any proceeds from the sale of the home otherwise due to the homeowner at the time of such sale.

Reduction, Delay, or Waiver of Program Fee. At the homeowner's written request, accompanied by an explanation of financial hardship, RPOP may reduce, delay, or waive entirely the program fee at any time and from time to time for the purpose of ensuring affordable monthly housing costs for the homeowner. Any such reduction, delay, or waiver must be in writing and signed by an authorized representative of RPOP before taking effect.

Adjustment of Program Fee. In order to keep program fees and replacement reserve contributions reasonably current, the amounts specified above may be recalculated annually during the term of the legal agreement. At such intervals, the amount shall be recalculated through such reasonable processes as RPOP shall choose, while still ensuring that the program fee does not create housing cost burden for homeowners. Program fee and replacement reserve contribution increases may not exceed the percentage increase in the Consumer Price Index (CPI), defined as a measure of inflation that tracks price changes over time, during the same adjustment period. RPOP shall notify homeowners promptly upon recalculation of the new program fee amount.

Late Fee. If the homeowner fails to pay the program fee or replacement reserve contribution when due, RPOP shall send a late notice to the homeowner at 30 days past due. At 60 days past due, RPOP shall send a second notice via certified mail and shall include a late fee of 10% of the balance owed.

Part 8: Monitoring and Enforcement

RPOP is committed to effective and efficient monitoring of resale-restricted homes so that:

- Homeowners are successful and build transformational wealth,
- Homes remain affordable over time, and
- Public and private investments in RPOP's units serve low-income homeowners in perpetuity.

At a minimum, RPOP will monitor and enforce the terms of the legal agreement and any other legal documents associated with resale-restricted homes and homeowners. RPOP will strive to support homeowners and homes beyond the minimal requirements whenever staff capacity and resources allow.

RPOP will be transparent and fair when monitoring for compliance and enforcing program terms. Before purchase, RPOP will educate homebuyers about the RPOP's expectations and rules.

Every effort will be made to provide homeowners with the information needed to complete the annual monitoring review and maintain compliance with RPOP's legal agreement. However, referrals for noncompliance will be made to RPOP's legal counsel when appropriate. Legal remedies specified in the legal agreement or otherwise allowed under local, state, or federal law will be sought as appropriate.

Monitoring. RPOP will conduct an annual monitoring review that includes evaluating occupancy and the current payment history and status of the homeowner's mortgage, taxes, and insurance. This review consists of mailing letters to homeowners requesting completion of a certification of owner-occupancy and proof of the status of loan, taxes, and insurance payments. The following documentation will be requested:

- Two (2) current utility bills with name and address shown (e.g., electric bill and cable television bill);
- One (1) receipt/proof of payment for property taxes, which can include a notice from the homeowner's mortgage provider that these taxes have been paid out of the homeowner's mortgage escrow account;
- One (1) end-of-year mortgage loan statement for the previous year;
- The current certificate of homeowner's insurance.

Second notices will be sent by certified mail if the homeowner does not respond to the first notice within 30 business days.

Every three years, RPOP staff will conduct an exterior review of each unit in the portfolio to update the property file with current condition information. This review will include capturing exterior photographs of the front, rear, and all accessible sides of the home, where visibility is reasonably available from public or permitted areas.

Staff shall document the date of the review, upload photographs to the property file, and note any visible concerns related to the condition of the unit.

Every effort will be made to provide homeowners with the information needed to complete the annual monitoring review and maintain compliance with RPOP's legal agreement. However, referrals for noncompliance will be made to RPOP's legal counsel when RPOP is unable to resolve the matter by working directly with the homeowner. Legal remedies specified in the legal agreement or otherwise allowed under local, state and federal law will be sought as appropriate.

Enforcement. A homeowner will be determined to be out of compliance with RPOP's requirements if:

- They do not respond to the second written request for completion of the annual monitoring review;

- Any of the monitoring activities listed above result in a finding of noncompliance (such as not occupying their home as their primary residence);
- They are more than 60 days past due on payment of program fees;
- They otherwise violate terms of RPOP's legal agreement and fail to remediate that violation as specified in the legal agreement.

The Program will enforce its policies in the following ways:

For violations related to owner-occupancy:
In the event a homeowner does not provide the appropriate documentation regarding owner-occupancy, or in the event that documentation is found to be inadequate or to suggest that the homeowner is not occupying the home, RPOP will reach out to the homebuyer by phone or email to seek additional clarification or confirm the owner's alternate occupancy. In the event the homeowner is found to no longer occupy the residence, RPOP will issue a notice of noncompliance and outline the appropriate corrective actions. The homebuyer may either return to the home full-time within a specified timeframe or proceed to sell the home.
In the event the homeowner does not respond or refuses to comply with the legal occupancy requirements as outlined in the legal agreement, RPOP will engage its legal counsel to determine next steps to compel compliance or sale.

For violations related to taxes
In the event a homeowner's taxes are delinquent, RPOP will reach out to the homeowner and, as necessary, the lender and the taxing authority to ensure the taxes are paid within a certain specified period of time. As a last resort, RPOP may choose to pay the taxes on behalf of the homeowner and then require payment after the fact. If RPOP chooses to pay the taxes on behalf of the homeowner, it may apply a fee not to exceed 10% of the value of the tax bill when it collects repayment from the homeowner. RPOP will make every effort to work with the homeowner to find a solution to pay property taxes before resorting to paying them through RPOP's funds.

For violations related to insurance:
In the event the homeowner does not provide the appropriate documentation of insurance, RPOP will reach out to the homeowner to alert them of the need to provide documentation of insurance. If proof of insurance is not provided, the homeowner must submit documentation within 30 days of written notice, RPOP will issue a written notice of noncompliance to the homeowner that outlines the appropriate corrective actions. The homeowner may either update insurance coverage within a specified timeframe contained in the notice or proceed to sell the home within the same timeframe. In the event the homeowner does not respond or refuses to comply with the insurance requirements as outlined in the legal agreement, the Program will engage its legal counsel to determine next steps to compel compliance or sale.

For violations related to program fees:
In the event the homeowner is 60 days past due in paying the program fee, RPOP will call the homeowner to assess homeowner needs and hardship and to determine if the first mortgage is

at risk of default. <u>This is not a collection call</u>; the purpose of the call is to discuss options with the homeowner, including setting up a payment plan for past due program fees, deferring or waiving program fees based on hardship, or initiating resale.

In the event the homeowner is 120 days past due on paying the program fee, RPOP will engage its legal counsel to determine next steps.

In the event the homeowner is 180 days past due on paying the program fee, RPOP will consider the homeowner to be in default. If the homeowner is unable or unwilling to come to an acceptable agreement with RPOP to become current on the program fee, RPOP will take action as advised by its legal counsel.

For violations related to the mortgage:
In the event the homeowner is delinquent on their mortgage, RPOP will reach out to the homeowner and then follow the appropriate path outlined in the Default and Foreclosure section of this Stewardship Manual.

For violations related to refinance:
In the event the homeowner has refinanced without approval, RPOP will follow up with the homeowner to obtain copies of the appropriate documentation pertaining to the refinance. If the homeowner has refinanced for more than their restricted value, the matter may be referred to RPOP's legal counsel for next steps.

Part 9: Default and Foreclosures

Foreclosure Risk and Program Approach

Research has shown that homeowners in community land trust programs experience significantly lower rates of foreclosure than homeowners in the conventional housing market. National data indicates that fewer than 1% of community land trust homeowners are in foreclosure at a given time, compared to more than 4% of homeowners in the broader market.

These outcomes are associated with program features such as fixed-rate financing, conservative underwriting standards, homebuyer education, and ongoing stewardship. Together, these elements are intended to reduce the likelihood of default and support long-term housing stability.

The policies in this section are designed to address instances of noncompliance, delinquency, and default, while prioritizing early intervention to prevent foreclosure whenever possible.[2]

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[2] Source: Lincoln Institute of Land Policy. "Outperforming the Market: Delinquency and Foreclosure Rates in Community Land Trusts." https://www.lincolninst.edu/publications/articles/outperforming-market/. Accessed March 19, 2026.

When a home is at risk of foreclosure, the Program has three goals:

1. To keep the home in trust and retain the community's investment;
2. To protect the structural integrity of the home; and,
3. To protect the homeowner(s).

Sometimes these goals will compete against each other. In a case where it is not possible to protect both the home and the homeowner, RPOP's mission necessitates that it prioritizes protecting the home for ownership by future low-income homeowners.

In order to mitigate foreclosures, RPOP shall take the following actions:

- At closing on the sale of a house, RPOP shall request that the homebuyer sign a Homeowner Consent to Third Party Notice Form that gives RPOP permission to communicate directly with the homebuyer's lender or lenders concerning the status of the mortgage loan. RPOP shall work with the mortgage provider to receive notifications pertaining to the status of the homeowner's mortgage.
- RPOP shall follow up with households who are late in paying their monthly program fee to see if they are current on their mortgage loan(s).
- RPOP shall refer for counseling through one of RPOP's partners owners who are in default or are in fear of default. RPOP shall follow up with the homeowner to check on progress.
- Annually, RPOP will check to see if any resale-restricted properties have received a notification of mortgage default.
- RPOP will check at least once annually to confirm that all property taxes are current.

When RPOP learns that a homeowner has defaulted (is more than 30 days late) on their mortgage, the following actions will be taken:

- Homeowner Communication. RPOP shall attempt to communicate with the homeowner to gather information. Communication starts with a phone call and an email – the least threatening communication and the one with the least potential for miscommunication or misinterpretation. RPOP will work with the homeowner to review options for becoming current and, if that does not appear viable, for selling the home to prevent foreclosure.
- Lender Communication. If RPOP has a signed Homeowner Consent to Third-Party Notice Form that permits RPOP to communicate with the lender, it will reach out to that lender to gather information including:
    - Whether the file been sent to the lender's foreclosure department;
    - Whether a foreclosure sale date has been set;
    - Whether the lender communicated directly with the homeowner
    - Whether the lender provided RPOP with the required notices
    - Whether the homeowner working with a loss mitigation specialist, and if so, what is their name & direct phone number;
    - The amount needed to be paid to bring the loan current;
    - The balance owed on the loan (including the amount in default)

Once information has been gathered pertaining to the default, RPOP will develop options for next steps and will conduct a financial and mission-test analysis of these options to select the one that best fits the circumstances. Typical options include the following:

1. Support the homeowner to come up with a viable payment plan to become current. If a homeowner is only a month behind, it may be possible to work with them to become current. This step is always the first step. If this option proves to be unsuccessful, RPOP will move on to another option for action.
2. Facilitate a workout with the lender. Often, it is the lender's first choice (as well as RPOP's) to keep the homeowner in the home. Banks don't want to own property. However, the lender may have tried unsuccessfully to communicate with the homeowner and may no longer be willing to consider this option. Noncommunication is a very common response to a situation that the homeowner may perceive as being threatening or beyond their control. RPOP staff will evaluate whether financial support from RPOP is available, and whether such financial assistance would make a difference in resolving the situation, provided the homeowner could then remain current in making future payments, and that the funds could be repaid to RPOP within a reasonable period of time.
    - Considerations:
        - Facilitated communication between homeowner and lender may pause the foreclosure process and keep the homeowner in the home;
        - RPOP remains in its proper role as advocate and support for the homeowner;
        - This approach keeps the home more affordable for future buyers, as turnover drives up the resale price due to RPOP's transaction fees.
        - This solution may amount to no more than a bandage in a situation where the homeowner really should be encouraged to sell the house;
        - The homeowner may perceive RPOP as meddling in the homeowner's affairs;
        - RPOP needs a third-party release form in order to communicate about sensitive financial information with the lender, and not all homeowners sign this document at closing.
3. Facilitate a resale. Should the homeowner recognize that they cannot afford to operate and maintain their home any longer, RPOP may be able to step in to facilitate a resale of the home. It is necessary for the homeowner to act as a willing seller in order to implement this option. If both RPOP and the homeowner agree to this option, it may also be necessary for RPOP to provide financial assistance to forestall foreclosure long enough to facilitate the resale. Before choosing this option and providing financial assistance, RPOP staff should do a complete financial analysis of the resale and the likelihood of repayment based on what the sales price may be, and the cost necessary to intervene in holding off the foreclosure (bring and keep the homeowner less than 90 days delinquent).
    - Considerations
        - This option keeps the house in RPOP's portfolio;

    - Protects the homeowner's credit and potentially allows the homeowner to receive a profit from the sale of her home;
    - This option prevents RPOP from incurring costs associated with the other options;
    - Potential for the homeowner to back out of a resale and or for negotiations between buyer and seller to fail;
    - RPOP may not be able to quickly identify an income-qualified, ready homebuyer.
4. Purchase the home directly from the homeowner. If the homeowner is an unwilling seller and a foreclosure sale date is pending, RPOP can attempt to purchase the home directly from the homeowner before a foreclosure. When there is NOT a willing seller, RPOP will use the considerations below to determine whether the benefit to keeping the home in the portfolio outweighs the risk of buying the home without an inspection. RPOP staff will then proceed accordingly.
    - Considerations
        - This option keeps the house in RPOP's portfolio;
        - Protects the homeowner's credit and RPOP's low foreclosure rate;
        - Avoids damage to the home;
        - RPOP's ability to finance or come up with cash to purchase the home from the owner, which may be limited;
        - RPOP would need to pay off all lien holders;
        - RPOP would incur some amount of carrying costs while attempting to sell to another homebuyer, and these costs could be extensive depending on the length of time required to identify a buyer.
5. Allow the lender to foreclose. Depending upon the condition of the house and RPOP's financial situation, RPOP may choose not to intervene in a foreclosure. In this instance, RPOP may still be able to purchase the home at the foreclosure auction or directly from the lender and move toward selling the home to a new homebuyer. Alternatively, if the legal agreement associated with the home is a ground lease, RPOP could let the home be sold to another entity and negotiate a new ground lease with the new owner, or RPOP could sell the land beneath the home to the new owner and reinvest the money into a new property or its operations.
    - Considerations
        - In the event where a house with a ground lease is sold to a buyer that does not meet RPOP's income eligibility guidelines, RPOP has the right to raise the program fee to market rate. This sometimes also opens the door to purchase the property back from the buyer who purchased it;
        - If RPOP purchases the home, it may be that it is not necessary to pay off additional lien holders in full (legal counsel should be consulted on this point);
        - If RPOP decides to purchase the house at the foreclosure sale, it may be outbid by other prospective purchasers if the legal agreement does not provide RPOP with a first purchase option at foreclosure.

    - The foreclosure sale price will include legal fees in addition to the purchase price;
    - The foreclosure may result in loss of the home and/or subsidy from RPOP's portfolio, which would negatively affect RPOP's reputation among funders and other stakeholders;
    - Having a homeowner experience foreclosure may lead to negative publicity for RPOP.

In any case, if RPOP ends up owning the home, RPOP will facilitate any necessary repairs and move to sell the home to a qualified homebuyer. If RPOP does NOT end up owning the home and it cannot be sold to an income-qualified buyer, RPOP needs to approach funders about the potential loss of funding.

Part 10: Post Purchase Stewardship

RPOP may decide to offer and/or require various kinds of post-purchase support for assisted homeowners. These could be provided directly by RPOP staff members or in partnership with another organization that offers these services. Examples of this post-purchase stewardship are outlined below from less-intensive to more-intensive in terms of resource commitment:

- Web resources for homeowners on the program's website;
- Newsletter with information and resources such as seasonal home maintenance reminders;
- Referrals for home repair contractors;
- Ten (or another number) hours of post-purchase homeownership education, with a $100 fee prepaid by the homeowner at closing that is returned to the homeowner upon completion of the post-purchase education;
- Periodically scheduled home maintenance workshops;
- Low-interest loans for home maintenance and repair;
- Budget and financial counseling;
- Default and foreclosure prevention counseling.

If RPOP offers post-purchase stewardship support to homeowners, it will develop written materials to outline the types of supports available, noting which may be required, and provide this information to all homeowners in RPOP's portfolio.

GLOSSARY

Glossary Format: Each term includes a Definition, an Explanation, and an Example.

Affordable Price
Definition: The purchase price set so a household at the target income level can afford monthly housing costs under program standards. The price is based on what buyers can afford, not what the home might be worth on the open market.
Explanation: The price is based on what buyers can afford, not the open market.
Explanation/Example: CLTs like RPOP create and preserve affordable housing by setting the initial purchase price and subsequent sale prices at what's affordable to families in the income range that they serve. The affordable price represents the price to the homebuyer that keeps the home affordable over the long term. CLTs are able to reduce the purchase price of homes they steward through the use of grant dollars, though these funds are not available in the same amount for every project. For example, using grant funds that are available for a particular project, a home worth $220,000 might be old for $150,000 so the monthly housing costs stay within program limits for the family.

Area Median Income (AMI)
Definition: The midpoint income for the region/county, adjusted by household size. AMI is updated each year by HUD.
Explanation/Example: AMI helps set who qualifies to purchase homes available through RPOP, how those homes are priced, and what is considered "affordable" for a particular family. RPOP supports families earning between 50% and 120% of Area Median Income for Jefferson County. A good rule of thumb to measure affordability is that a family should spend no more than 30% of its monthly income on housing costs, including a mortgage, taxes, insurance, and utilities. This means that the home price that is affordable to a family earning 80% of AMI will be different from a home price that is affordable to a family earning 50% of AMI.

Applicant Pool
Definition: A list of households who completed the pre-application process and are eligible to be considered as potential buyers when a home becomes available through RPOP.
Explanation/Example: The applicant pool includes households who have completed the early steps in the process and are ready to be considered when a home becomes available.
RPOP will first contact households in the applicant pool when homes become available for sale.

Back-End Ratio
Definition: The percentage of a family's gross monthly income used for all monthly debt payments, including housing.
Explanation/Example: The back-end ratio measures how much of a household's income is already committed to debt and helps determine whether taking on additional debt related to a mortgage is financially sustainable. For example, if a family has $4,000 in monthly household income and $1,600 in total household debt, their back-end ratio equals 40% ($1600/$4000 = .4 .4 * 100 = 40%).

Balloon Loan
Definition: A loan with low monthly payments up front, but that requires a large lump-sum payment at the end of the repayment period.
Explanation: Balloon loans look manageable at first, with payments that are much less per month than typical mortgages. However, at the end of the repayment period, there is a large payment due. A loan of $150,000 with monthly payments of $500 and a final payment of $75,000 at the end of the repayment period is an example of how a balloon loan could be structured.

Capital Improvement
Definition: A capital improvement is a permanent improvement to the property made during the homeowner's ownership of the property. A homeowner may receive credit for a capital improvement upon resale or transfer of the home only if the improvement meets all program requirements.
Explanation/Example: Only some kinds of improvements are considered capital improvements. Typically, these are more expensive, longer-lasting changes that would increase the value of the home on a resale. Things like adding a deck or patio, building a garage or an addition to the home would be considered a capital improvement. Things like painting, replacing an existing feature such as cabinets or a door, would not be considered a capital improvement.

Cash-Out Refinance
Definition: A refinance where the homeowner borrows more than the remaining loan balance and receives the difference between the remaining loan balance and the new loan amount in cash.
Explanation/Example: A cash-out refinance replaces an existing loan with a larger loan and gives the homeowner the difference in cash, increasing the total debt secured by the home. This can increase risk to the homeowner in the amount of money owed in principal and interest and removes the homeowner's existing equity that could otherwise be paid to them on a resale.
For example, if a homeowner owes $120,000 on a mortgage and refinances into a $140,000 loan, the previous loan is paid off and the homeowner receives $20,000 in cash, minus closing costs. However, the new loan is secured by the home and additional principal and interest must be paid back; the homeowner has reduced the amount of equity they have in the home.

Community Land Trust (CLT)
Definition: A nonprofit organization that provides lasting community assets and shared equity homeownership opportunities for families, and that is governed by a board of residents of the properties protected by the organization, community residents, and at-large members.

Combined Loan-to-Value (CLTV)
Definition: The total amount of all loans secured by a property compared to the property's value, including the primary mortgage and any additional loans that are secured by (tied to) the home.

Explanation/Example: This ratio is used by lenders to assess risk. Many lenders prefer the ratio to be 80%, meaning that the buyer has contributed a downpayment of 20% of the purchase price to the sale. It includes the primary mortgage and any additional loans tied to the home. For example, if a home is worth $100,000, with a $90,000 first mortgage and a $10,000 second loan, the CLTV is 100%.

Closing Costs
Definition: Fees paid to attorneys, lenders, appraisers, and other professional service providers to complete aspects of a home purchase or refinance.
Explanation/Example: When you purchase a home, there are many service providers who will be involved in different aspects of the process. Each of these service providers charges a fee that gets paid at closing

Consumer Price Index (CPI)
Definition: A measure of inflation published by the U.S. Bureau of Labor Statistics that tracks changes in the cost of goods and services over time.
Explanation/Example: CPI is used by RPOP to adjust certain fees, such as the program fee, to account for inflation. These adjustments are applied gradually to maintain predictability and support long-term affordability. Fees that are determined by external market conditions, such as property taxes and homeowners' insurance, are not tied to CPI. For example, if the program fee is $100 per month and CPI increases by 3%, the fee may increase to $103, subject to any program limits on annual increases.

Deed Restriction
Definition: A recorded legal restriction attached to a property.
Explanation/Example: Deed restrictions limit how the property can be used, sold, or transferred to maintain program goals such as long-term affordability. CLTs often use deed restrictions, sometimes as part of the ground lease, to require a home to be sold to an income-qualified buyer at a capped price.

Default
Definition: Failure to follow the terms of a mortgage loan or to comply with other requirements related to this Stewardship Manual.
Explanation/Example: Every loan requires regular on-time payments, and not meeting those payment deadlines causes the lender to consider the borrower to be in default. This Stewardship Manual contains rules and processes that homeowners working with RPOP agree to follow; if they are not followed, the homeowner is considered to be in default. A family that makes a late mortgage payment is in default under the terms of their loan agreement. A family that rents their home without seeking permission from RPOP is in default of this Stewardship Manual.

Escrow
Definition: A fund established to hold money for a specific purpose, and only that specific purpose.

Explanation and Example: Typically, escrow accounts are used where money is collected as part of the monthly mortgage payment and held in a dedicated fund monthly by the mortgage lender; these funds are used by the mortgage lender to pay annual property taxes and insurance when due. An earnest money deposit paid to secure a right to purchase a home is also held in a dedicated escrow account.

Fair Market Value
Definition: The estimated price a home would sell for on the open market without any restrictions and under normal market conditions.
Explanation/Example: In a CLT model, fair market value is typically higher than the restricted resale price, since CLTs have a goal to create and permanently protect access to affordable housing, and allowing a home to be sold at fair market value could have the effect of making it unaffordable to families served by the CLT. A home stewarded by a CLT may, for example, have a restricted resale price of $150,000 to preserve its affordability, while similar homes without restrictions could sell for $220,000. The $220,000 represents the fair market value.

Fixed-Rate Mortgage
Definition: A loan featuring an interest rate that remains the same for the entire term of repayment, resulting in a stable and predictable principal and interest payment over time.
Explanation/Example: A homeowner takes out a $150,000, 30-year fixed-rate mortgage at 6.5%. The monthly principal and interest payment is approximately $948 and does not change over the life of the loan, even if market interest rates increase.

Foreclosure
Definition: A legal process through which a lender takes ownership of a property as a result of unpaid debt.
Explanation/Example: Mortgages are “secured” by the property that the loan was made to purchase. The practice of securing property is meant to protect the lender from a situation where the borrower does not make payments as required by the mortgage. If enough payments are missed, the lender can go through a legal process to transfer ownership of the property from the borrower to the lender so that the lender can recapture the value of the loan by selling the property to another buyer. The foreclosure process is regulated by state law.

Formula Price
Definition: The maximum resale price allowed under RPOP’s Stewardship Manual using the Resale Formula.
Explanation/Example: The Formula Price is a tool for protecting affordability. It sets a cap on the resale price that is based on the original purchase price of the home and the fixed appreciation rate described in the Stewardship Manual. For example,a home that originally sold for $150,000 would have a capped Formula Price of $165,000 after 5 years, assuming a 2% appreciation rate.

Front-End Ratio
Definition: The percentage of income used for monthly housing costs.

Explanation/Example: The front-end ratio is another tool that shows whether an expected housing payment is affordable to a family based on its income. Affordable housing is typically defined as housing that costs no more than 30% of a family's monthly income, including taxes, insurance, and utilities. A family that earns $4,000 monthly, for example, and that has $1,200 in monthly housing costs would have a 30% front-end ratio.

Ground Lease
Definition: A long-term lease that represents the relationship between RPOP and the homeowner, and that allows the homeowner to own the home and manage the property through a structure that preserves affordability.
Explanation/Example: CLTs like RPOP preserve affordability by staying involved in the ownership of properties that they create as affordable housing. The ground lease works as the connector between the CLT (RPOP) and the homeowner, and balances the CLT's interest in keeping the property affordable to the current owner and all future owners, and the owner's interest in managing the property.

Home Equity Line of Credit (HELOC)
Definition: A revolving line of credit secured by the home.
Explanation/Example: HELOCs work like a credit card backed by your home, which can create challenges related to increased monthly payments, additional interest charges, and decreased equity that may be available on a resale. For example, a
A homeowner with $40,000 in equity who opens a $20,000 HELOC, which raises the homeowner's monthly payment requirements and decreases the amount of available equity in the home to $20,000.

Income-Eligible
Definition: A household whose income falls within RPOP's program limits based on AMI and household size.
Explanation/Example: Families must be income-eligible to purchase a home through RPOP.

Internal Revenue Service (IRS)
Definition: The federal agency that collects taxes and provides official income documentation.

Legal Agreement
Definition: A signed or recorded document that establishes the program rules for the home.

Loan-to-Value (LTV)
Definition: The percentage of a home's value financed by a loan.
Explanation/Example: This ratio is used to understand affordability and risk. For example, a $90,000 loan used to purchase a $100,000 home results in a 90% LTV ratio.

Monitoring
Definition: An annual review conducted by RPOP to confirm that homeowners meet Stewardship Manual requirements

Explanation/Example: Annual checks to verify insurance, owner occupancy, exterior maintenance, and mortgage payment history help prevent problems that impact the homeowner's ability to remain in the home, preserve the home as an affordable asset, and protect affordability.

Owner-Occupancy
Definition: Using the home as the owner's primary residence, where they live most of the time, have their voter registration and/or car registration connected, and other hallmarks of occupancy.

Negative Amortization Loan
Definition: A loan where payments do not cover the full amount of principal plus interest.
Explanation/Example: Negative Amortization Loans require payments that don't cover the entire interest due on a monthly basis. Unpaid interest is added to the principal amount due, which increases costs over time and makes it harder to pay off the mortgage.

Payment Shock
Definition: A sudden and significant increase in a homeowner's monthly housing payment.
Explanation: Payment shock occurs when a homeowner's monthly payment rises due to large and sudden changes in property taxes, insurance costs, or other housing-related expenses. Even with a fixed-rate mortgage, increases in escrowed costs can raise the total monthly payment. Large increases can strain a household's budget and increase the risk of missed payments or default. For example, a homeowner with a monthly payment of $1,000 that includes principal, interest, taxes, and insurance who is told that it will cost an additional $250 per month to cover their insurance (raising their total monthly housing costs by 25%) would be facing a payment shock.

Permitted Mortgage
Definition: A mortgage that meets the standards contained in the Stewardship Manual, usually limited to a fixed rate mortgage.

PITI
Definition: The core components of a monthly mortgage payment, Principal, Interest, Taxes, and Insurance, are sometimes referenced together as "PITI."
Explanation/Example: Lenders use this term to describe the full monthly housing payment. For example, $850 principal and interest plus $250 taxes and insurance equals $1,100 in PITI.

Program Fee
Definition: A monthly fee that supports stewardship, monitoring, and homeowner support.

Prohibited Loan
Definition: A loan type that is not permitted for homeowners purchasing through RPOP's program. Typically, Prohibited Loans increase risk to the homeowner or threaten the long-term

affordability of the home because they contain hidden costs, create unpredictability in the monthly payment, or lead to a large lump sum due at some point during the term of the loan.

Purchase Option
Definition: The right that RPOP may retain to purchase the home under certain conditions before it is sold to another buyer.
Explanation/Example: RPOP may choose to retain a purchase option that allows it to purchase a home rather than allow it to be sold to another family. This may happen in a situation where the homeowner is facing foreclosure, where a home is taking longer to sell, or where the home needs extensive repairs to make it marketable for the next owner.

Refinance
Definition: Replacing an existing mortgage with a new loan, often to obtain a lower interest rate and lower monthly payments.

Replacement Reserve
Definition: Funds set aside over time to pay for major repairs related to the home's exterior, including roof, windows, siding, and gutters. These funds remain with the home regardless of who owns the property, and can be drawn down as needed to cover repairs.

Replacement Reserve Fee
Definition: A monthly amount collected to build the replacement reserve.

Restricted Value
Definition: The value used for underwriting and resale calculations that allows a home to be affordable to buyers served by RPOP rules rather than sold for full market value.
Explanation/Example: RPOP uses an affordability-based value, not the open market value, in pricing homes. Depending on the availability of grant funds to lower the price, this can mean that the sale price for a home is set lower than the cost needed to build it. (Grant funds are not available in every case.) For example, if $25,000 in grant funds are available, a home that cost RPOP $200,000 to build could be sold for $175,000, making it more affordable to a wider range of buyers.

Resale Formula
Definition: The calculation used to determine the maximum resale price, based on the total appreciation allowed in RPOP's Stewardship Manual.
Explanation/Example: The Resale Formula is used to ensure that the home remains affordable to the next buyer while allowing the current homeowner to earn a fair share of the increased value of the home

Second Mortgage
Definition: An additional loan secured by the home that is in addition to the primary mortgage.

Explanation/Example: A second loan increases payment risk and needs approval by RPOP prior to closing. Examples of second mortgages can include loans that are taken out for home repairs that are secured by the home.

Shared Equity Homeownership
Definition: A model through which the homeowner purchases at an affordable price and agrees to resale limits so the home remains affordable for future buyers.
Explanation/Example: Shared equity means that the homeowner agrees to limit their future financial gain resulting from ownership to protect the ability of the next buyer to purchase at an affordable price. It also can mean that the homeowner agrees to split the ownership of the home itself from the ownership of the land the home sits on.

Stated Income Loan
Definition: A loan provided that was not based on the borrower's verified income, but on the borrower's self-reported income.
Explanation/Example: Lenders typically require borrowers to provide proof of their income through tax returns, paystubs, and/or W2s or 1099s. A Stated Income Loan is made without this kind of confirmation. This type of loan increases risk to the borrower because the lender does not confirm that the borrower's income can support their ability to repay the loan.

Stewardship
Definition: Ongoing support and oversight to help homeowners succeed and to preserve affordability.
Explanation/Example: CLTs like RPOP stay connected to homeowners after a purchase is complete through annual monitoring, educational programming, and other community activities. These kinds of touchpoints create a connected community of homeowners through the CLT, and a safety net for homeowners that leads to greater success and longevity in the home and a higher level of community connectivity than traditional homeownership offers.

Subsidy
Definition: Financial assistance that reduces the purchase price or monthly cost of homeownership for the homeowner.
Explanation/Example: Buyers can often access down payment assistance funding, sometimes forgivable, that helps bring down the value of their mortgage; this is a form of subsidy.

Telecommunications Device for the Deaf (TDD)
Definition: A phone system for people with hearing or speech disabilities, often TDD services are available from government offices that provide information or services to the public.

U.S. Department of Housing and Urban Development (HUD)
Definition: The federal agency that publishes AMI income limits and housing program guidance.

W-2
Definition: A W-2 is a tax form provided by an employer that shows wages earned and taxes withheld.
Explanation/Example: Lenders use W-2 forms along with paystubs to verify income history.

Wealth Building
Definition: Long-term financial benefit created through stable housing costs, the ability to save, and limited equity growth under the resale formula.

APPENDIX A. AREA MEDIAN INCOME

Russell Neighborhood
Community Land Trust FAQs
For Homebuyers

Area Median Income - FY26

RPOP supports families earning between 50–120% of the area median income for Louisville. Area median income is calculated by the US Department of Housing and Urban Development (HUD) based on location (Louisville) and family size.

Area Median Income					
	Household Size				
% of AMI	1	2	3	4	5
120%	$ 83,175	$ 95,100	$ 106,950	**$ 118,800**	$ 128,325
110%	$ 76,244	$ 87,175	$ 98,038	$ 108,900	$ 117,631
100%	$ 69,313	$ 79,250	$ 89,125	**$ $99,000**	$ 106,938
90%	$ 62,381	$ 71,325	$ 80,213	$ 89,100	$ 96,244
80%	$ 55,450	$ 63,400	$ 71,300	**$ 79,200**	$ 85,550
70%	$ 48,519	$ 55,475	$ 62,388	$ 69,300	$ 74,856
60%	$ 41,588	$ 47,550	$ 53,475	$ 59,400	$ 64,163
50%	$ 34,650	$ 39,600	$ 44,550	**$ 49,500**	$ 53,500
40%	$ 27,725	$ 31,700	$ 35,650	$ 39,600	$ 42,775
30%	$ 20,800	$ 23,800	$ 27,320	$ 33,000	$ 38,680

APPENDIX B. HOMEBUYER FEE SHEET

Homebuyer Fees. What you pay, what it covers, when it happens

BEFORE YOU GO UNDER CONTRACT

- Credit report fee
    - What it covers: Pulling your credit to review loan eligibility.
    - When it happens: During pre-approval or underwriting.
    - Who collects it: Lender.
    - Typical range: $25 to $75.
- Homebuyer education course fee (if applicable)
    - What it covers: Required education class and certificate.
    - When it happens: Before lender final approval.
    - Who collects it: Education provider.
    - Typical range: $0 to $100.
- Earnest money
    - What it covers: A good-faith deposit to show you intend to buy.
    - When it happens: After contract is signed.
    - Who holds it: Title company or escrow.
    - Typical range: 1% to 3% of purchase price (varies by contract).

DURING INSPECTIONS AND UNDERWRITING

- Home inspection
    - What it covers: Inspection of major systems and visible issues.
    - When it happens: Shortly after contract.
    - Who collects it: Inspector.
    - Typical range: $300 to $600.
- Appraisal
    - What it covers: Licensed valuation required by the lender.
    - When it happens: During underwriting.
    - Who collects it: The lender orders it. The appraiser performs it.
    - Typical range: $450 to $800.
- Survey (if required)
    - What it covers: Property boundary confirmation.
    - When it happens: Before closing.
    - Who collects it: Surveyor or title company.
    - Typical range: $300 to $700.

AT CLOSING

- Down payment
    - What it covers: Your upfront contribution to the purchase.
    - When it happens: At closing.
    - Who collects it: Title company.
    - Typical range: Varies by loan and assistance.
- Loan origination or underwriting fee

    - What it covers: Lender processing and underwriting work.
    - When it happens: At closing.
    - Who collects it: Lender.
    - Typical range: $0 to 1% of loan amount.
- Title insurance
    - What it covers: Protection against title defects and claims.
    - When it happens: At closing.
    - Who collects it: Title company.
    - Typical range: Varies by price.
- Recording fees
    - What it covers: Filing legal documents with the county.
    - When it happens: At closing.
    - Who collects it: Title company.
    - Typical range: $50 to $250.
- Prepaid interest
    - What it covers: Interest from closing date to first payment date.
    - When it happens: At closing.
    - Who collects it: Lender via title company.
    - Typical range: Varies by closing date.
- Escrow setup for taxes and insurance (if required)
    - What it covers: Starting balance in your escrow account.
    - When it happens: At closing.
    - Who collects it: Lender via title company.
    - Typical range: 2 to 6 months of taxes and insurance (varies).

AFTER MOVE-IN
- Monthly mortgage payment (PITI)
    - What it covers: Principal, interest, taxes, insurance.
    - When it happens: Monthly.
    - Who collects it: Loan servicer.
- Program fee
    - What it covers: Stewardship, monitoring, homeowner support.
    - When it happens: Monthly.
    - Who collects it: Program or servicer (based on setup).
- Replacement reserve contribution (if required)
    - What it covers: Saving for major repairs over time.
    - When it happens: Monthly.
    - Who collects it: Program or reserve account administrator (based on setup).
- Utilities and routine maintenance
    - What it covers: Ongoing operating costs of living in the home.
    - When it happens: Monthly and as needed.
    - Who pays: Homeowner.

APPENDIX C. HOMEBUYER JOURNEY FLOWCHART (STRUCTURED FLOW)

- PHASE 1. INTAKE AND READINESS
  - Step 1: Interest form and initial intake
  - Step 2: Orientation. Program overview and eligibility screening
  - Step 3: Document checklist issued
  - Step 4: Homebuyer education enrollment (if required)
  - Step 5: Readiness review. Credit, income, and budget discussion
- PHASE 2. PRE-APPROVAL AND BUYER PREP
  - Step 6: Lender pre-approval start
  - Step 7: Income and asset verification
  - Step 8: Buyer added to Applicant Pool
  - Step 9: Buyer receives available home notices
- PHASE 3. HOME MATCH AND CONTRACT
  - Step 10: Home selection and program fit review
  - Step 11: Offer and contract signed
  - Step 12: Earnest money submitted
  - Step 13: Home inspection scheduled and completed
  - Step 14: Repairs negotiated (if applicable)
- PHASE 4. UNDERWRITING AND APPROVALS
  - Step 15: Appraisal ordered and completed
  - Step 16: Final underwriting
  - Step 17: Program review of loan type and terms
  - Step 18: Final approvals issued (lender and program)
- PHASE 5. CLOSING AND MOVE-IN
  - Step 19: Closing disclosure reviewed
  - Step 20: Closing day. Documents signed
  - Step 21: Move-in and utility setup
- PHASE 6. POST-CLOSING STEWARDSHIP
  - Step 22: Welcome packet and homeowner responsibilities review
  - Step 23: Setup for program fee and reserves (if applicable)
  - Step 24: Annual monitoring schedule begins
  - Step 25: Ongoing support. Maintenance education, community connection, and problem-solving