

# HCDA Agreement will expire October 2, 2024

HCDA's rule amendment passed in June 2021 allows all Reserved Housing owners to prepay their shared equity and be released from the program after their regulated term without selling or transferring their unit. Previously, owners could not "prepay" their shared equity and could only be released from the program when they sold or transferred title to their unit. This became problematic for those owners who were past their regulated terms but still could not refinance or do other transactions without HCDA approval/subordination (which can be lengthy).

It is important to note that the rule amendment does not obligate the owners to pay the shared equity "in advance" of selling their unit. They can ignore the rule amendment and remain part of HCDA's reserved housing program until they sell the unit, at which time the shared equity will become due as normal. However, this means they would need to continue obtaining HCDA's approval/subordination for any refinancing transaction.

My answers to your specific questions are in red below:

1. **What happens when the 10 years are over in October 2024?** Once the regulated term is over, the owner occupancy restriction is lifted from the unit (e.g., the unit can be rented out with no restrictions). Since your regulated term is still in effect, you will not be allowed to be released from the program, even if you "prepay" your shared equity now. Interestingly, some owners within their regulated terms have chosen to prepay their shared equity now (even though they will not be released from the program), as either they worry about having the money later or they want to "lock in" their shared equity amount. This option remains the owner's choice.
2. **Do all owners need to pay back the equity discount to HCDA? Also, the one which will stay owner occupied in their unit?** The shared equity is only due upon sale or transfer of the unit. Owners have the option to pay early (and be released if their regulated term is over); however, this is not a requirement.
3. **If yes, in what time frame do the payments have to be made in full?** The shared equity is only due in full upon the sale or transfer of the unit.
4. **Why can't we make payments less than \$5,000?** If for instance we have to pay back the \$23,000, that would indicate that we have to make 3 payments of \$5,000, and one payment of \$7,000. That is a lot of money for each payment. And lot of owners cannot pay that in one payment. This limit was imposed to prevent the administrative burden of handling numerous small transactions. To date, no owner has chosen to pay a portion of shared equity. Most owners either decide to prepay in full or withhold payment until they sell/transfer the unit.
5. **Do you have any other payment options?** No, owners can either prepay their shared equity now or wait to pay when they sell/transfer their unit. Most owners will wait to pay their shared equity, as they rely on the proceeds from the sale of their unit to pay the shared equity amount.

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