

City of Concord's rendition of Shared Appreciation.

What is Shared Appreciation and How is it Calculated?

A shared appreciation loan is a loan in which the lender receives a percentage of the home's future increase in value. The City of Concord provides FTHB loans with zero interest and no annual payments due for the term of the loan in exchange for a share of the home's appreciation in value. Below is an example of how the shared appreciation portion owed to the City is calculated.

If a \$45,000 FTHB loan was provided to purchase a \$450,000 home, the shared appreciation portion would be 10% of home's increase in value at the time loan needs to be repaid. The 10% shared appreciation is calculated by dividing the \$45,000 FTHB loan amount by the \$450,000 purchase price, which equals 10%.

The FTHB Program participant will be required to pay back 10% of the shared appreciation plus the original loan amount of \$45,000. If the value of the home is \$600,000 at the time the City's FTHB loan is repaid, then the shared appreciation portion of the repayment would be \$15,000. \$15,000 equals 10% of the \$150,000 increase in value from \$450,000 to \$600,000. The total amount owed to the City is \$60,000 (\$45,000 FTHB loan plus \$15,000 shared appreciation).

See below for these calculations:

FTHB loan amount:	\$45,000
divided by	
<u>Original cost of the home:</u>	<u>\$450,000</u>
Shared appreciation percentage:	10%
Price of the home at the time loan is repaid:	\$600,000
minus	
<u>Original cost of the home:</u>	<u>\$450,000</u>
Increase in value at the time loan is repaid:	\$150,000
Shared appreciation percentage:	10%
multiplied by	
<u>Increase in value at the time loan is repaid:</u>	<u>\$150,000</u>
Shared appreciation dollar amount:	\$15,000
FTHB loan amount:	\$45,000
plus	
<u>Shared appreciation dollar amount:</u>	<u>\$15,000</u>
Total amount due at payoff:	\$60,000