

**Town of Amherst - CPA Funding Proposal FY21**  
**Community Housing**  
**FIRST TIME HOMEBUYER PROGRAM/MORTGAGE SUBSIDY ASSISTANCE PROGRAM**

**Project Description:** Valley Community Development Corporation will provide (4) - \$50,000.00, 0% interest, thirty year deferred payment loans (DPL) as mortgage subsidies to write down the cost of a home to LMI (low/moderate income) households earning 100% or less of Area Median Income (AMI) to assist them with a purchase of a home in the Town of Amherst. These funds will be recaptured at the time of the sale, deed transfer or when the owner is doing a cash out refinance and the equity is not being used to improve the property. Ideally passing the funds on to a new FTHB household is a goal and priority of the program but it may not always be possible. A mortgage and note will be developed with the assistance of the Town's Counsel and executed by the buyer(s) outlining the terms and conditions, including the property use and refinance restriction(s). The program will also include intensive first time homebuyer counseling as described below to 30 first time homebuyer households. Households counseled will range from ready to proceed with homeownership to those households that may need a few years to reduce debt, build or repair credit, plan and save towards homeownership before they are financially ready.

To attain and sustain homeownership many LMI households need homeownership counseling and access to down payment assistance. The high cost of housing in Amherst requires a higher subsidy amount than a more traditional \$5,000-\$15,000 down payment/closing cost program. Additionally, the high cost of rent in Amherst makes it difficult to save for down payment and closing costs. Student loan debt is another obstacle that holds LMI buyers back from purchasing a home. Additional obstacles include lender required reserve funds in addition to the funds to complete and close on the transaction.

It is expected that approximately 30 first time homebuyer (FTHB) households will schedule counseling sessions based on learning about these funds and they then begin working towards accessing the mortgage subsidy assistance. The 30 households served will have the benefit of our FTHB Workshop Series throughout the 18-month program cycle. These workshops are co-sponsored by local banks with Valley and contribute a sponsorship fee of \$3,000 per workshop for a total value of \$51,000. The 12 hour workshops are invaluable education to our new buyers to learn more about the homebuying process as well as how to work with relevant professionals. The workshops supplement the individual counseling program.

Valley Community Development can accommodate counseling these FTHB households within the 18-month contract period. Valley Community Development staff will administer the program, provide outreach and marketing, provide general information about the program over the phone and via email to folks who are not counseling clients in addition to providing intensive financial counseling to prepare those households who want to use the program. Valley Community Development will be responsible for certifying household income for the mortgage subsidy assistance. The homebuying counseling will include assistance with credit score improvement, debt reduction, savings plans, understanding mortgage options, obtaining a mortgage, navigating the process, how to work with the real estate professionals including attorneys, what to expect during the process, what to watch out for, negotiating home repairs with the seller, and making the best possible decisions throughout the process as well as helping households identify when purchasing a home is not right for them.

Valley Community Development was founded in 1988 and has been providing a comprehensive and successful first time homebuyer (FTHB) program for over 31 years. Valley Community Development is certified by CHAPA (Citizens Housing and Planning Association) for its well-attended FTHB monthly classes.

Valley is a HUD approved housing counseling agency and has an excellent reputation among local mortgage lenders and state housing agencies. Valley's primary service area includes Easthampton, Northampton, Amherst, and Hadley. The homebuyer program has evolved over the years in response to the housing crisis and growing obstacles to sustainable homeownership. Valley Community Development has provided its homeownership services throughout Hampshire County for the last eleven years due to the 2008 housing crisis. Among our core communities in Valley Community Development service area, the Town of Amherst is desirable for many LMI households seeking housing, a good school system, recreational green spaces, a thriving downtown as well as a diverse community.

Valley Community Development has determined that financial assistance of \$50,000 to a LMI household will allow access to the housing market in Amherst. For example, a buyer would be expected to put down a minimum of 3% for a down payment on a purchase of a \$240,000 home amounting to \$7,200. Buyers can also expect to pay closing costs of 3%-5% of the purchase price. If a borrower accessed the subsidized mortgage product offered by the Massachusetts Housing Partnership's (MHP) One Mortgage product, the buyer would be required to make a down payment of 1.5% from their own funds and the remaining 1.5% can be a gift, grant or deferred loan (thus equaling the 3% down payment requirement). Under the MassHousing loan programs, all of the 3% down payment can be a gift, grant or deferred loan. Buyers will need to have their own funds under this program to make a deposit to secure an offer to purchase, cover their lender-required reserve funds and to pay any additional costs including appraisal fees, home inspections and homeowner's insurance. The \$50,000 mortgage subsidy would provide a household with the power to purchase in Amherst. Currently buyers at 80%-100% of AMI are priced out of Amherst homes; the average sold price for the past 12 months is \$405,513 and is slightly down from \$429,000, during the last Amherst CPA FTHB Program. Currently prices for a single-family range between \$236,500 - \$1,115,000; \$179,000 - \$380,000 for a condominium; and \$459,900 for a 2-unit multi-family home.

Valley Community Development believes there should be a cap on liquid assets for a potential purchaser and suggests \$75,000 per household. We would not include retirement accounts as liquid assets nor the imputed income from interest earned on those assets.

**Program Services: Counseling/financial education services for all 30 households include the following:**

Initial intake includes completion of a self-certification form, which identifies household size and income. A counseling log details household income, savings, employment and credit history, and outstanding debt that will be used to assess needs. Counsel potential homebuyers to determine timetable for purchasing, goals to be set and tasks to be accomplished to attain those goals.

- The completion of an Action Plan with steps the potential buyer needs to take to be a "bankable first time homebuyer".
- Counsel potential homebuyers who are not "bankable" on how to become "bankable".
- Counsel potential homebuyers regarding credit repair, debt reduction, establishment of credit history, alternative credit history.
- Maintain current information on subsidized mortgage products, including the One Mortgage Loan Program as well as MassHousing products and other first time homebuyer products.
- Assist potential homebuyers to determine best mortgage product based on individual circumstances.
- Determination of eligibility for mortgage subsidy assistance and availability.
- Determination of housing price range that household can afford.
- Advocate on behalf of mortgage applicants with lenders and affordable housing program administrators, etc. to facilitate access to subsidized mortgage financing and provide homebuyer support/encouragement.

- Facilitate access to affordable homeownership or homebuyer education workshops through Valley Community Development.
- Assistance in determining if/when long-term rental is best option.
- Solicit and maintain relationships with lenders to fund homebuyer classes and gain access to and distribute down payment and closing costs assistance

**Program Outreach:** Program marketing would be on-going through a variety of community sources:

- Outreach to LMI potential first time homebuyers through the media, social media, neighborhood groups and town government
- Outreach to real estate agencies doing business in Amherst
- Outreach to mortgage loan officers
- Outreach to local businesses and employers to reach LMI employees
- Outreach through Valley Community Development’s small business office
- Outreach to Amherst minority and immigrant communities
- Outreach to current and past participants of the Valley Community Development sponsored homebuyer workshops
- Outreach to Amherst residents who sought individual counseling services from Valley Community Development during the past 24 – 36 months

**NOTE:** All applicants for the mortgage subsidy program will be educated on the Federal Lead Paint laws using the EPA Booklet “Protect Your Family from Lead in Your Home”. Massachusetts Lead Paint laws require applicants with children ages 6 and under to delead the property. Properties built before 1978 may contain lead paint hazards. Properties with lead based paint hazards must have all lead paint addressed as required by the Massachusetts laws. Valley Community Development staff will assist applicant(s) with lead paint compliance and the application process for a deferred payment loan from MassHousing as applicable through education, technical assistance and counseling on lead paint concerns including but not limited to the inspection process and technical support to address lead paint issues and deleading of the property post-closing.

**Project Goals:** The goal of the First Time Homebuyer Program/Mortgage Subsidy Assistance Program is to provide financial assistance to four (4) LMI first time homebuyer households, which will enable them to purchase a home in the Town of Amherst. This will allow LMI households to continue to add to the diversity of the town. Additionally, 30 households will receive first time homebuyer financial counseling and education as described above in preparation for future homeownership.

**Eligibility:** The First Time Homebuyer Program/Mortgage Subsidy Assistance Program is eligible under the Community Housing section of CPA. As noted in the Executive Summary of the Amherst’s Housing Production Plan, “converting existing housing to long term affordability through mortgage assistance programs or buy down programs that provide subsidies to first time homebuyers” is listed among the strategies of greatest concern to Amherst. This strategy will address the problem of lack of “affordable homeownership for families as market conditions have placed the purchase of homes beyond the financial means of low and moderate-income households.”

**Housing Goals:** As noted above, Amherst’s Housing Production Plan identifies mortgage subsidy programs as a way to increase homeownership for low and moderate-income households. Assisting LMI households to purchase homes in Amherst will meet the Town’s goal of adding to the affordable housing inventory. The

Town of Amherst is striving to maintain 10% of its housing stock as affordable under DHCD guidelines and create 48 new units of housing per year.

**Timeline:** The First Time Homebuyer/Mortgage Subsidy Assistance Program will begin immediately upon execution of a contract with the Town of Amherst. The program is expected to be accomplished within 18 months of the start date. The proposed contract period is July 1, 2020 – December 31, 2021. It is anticipated that the four (4) mortgage subsidies will be distributed as follows:

1 <sup>st</sup> Quarter	None (individual counseling and marketing begins)
2 <sup>nd</sup> Quarter	None (individual counseling and marketing continues)
3 <sup>rd</sup> Quarter	1 household closes with mortgage subsidy assistance
4 <sup>th</sup> Quarter	1 household closes with mortgage subsidy assistance
5 <sup>th</sup> Quarter	1 household closes with mortgage subsidy assistance
6 <sup>th</sup> Quarter	1 household closes with mortgage subsidy assistance

Program closeout, reports, files and follow up with clients on deleading and post purchase education requirements.

**Budget:** See Attached budget

**Support:** Letters of support to follow; we will meet with both Amherst housing related committees/agencies as required including the Amherst Municipal Housing Trust and the Amherst Housing Authority.

**Background & Need:** Valley Community Development has continued to work with Amherst households under our contracts for foreclosure prevention and financial literacy through funding from the Division of Banks to serve all of Hampshire County through December 31, 2019. Valley Community Development continues to publicly and privately fundraise to support the continuation of the homeownership program and serve both first time homebuyers and existing homeowners. (Valley Community Development is only seeking CPA funding to provide financial assistance and home buying counseling to first time homebuyers.) Valley Community Development continues to seek funding from all available sources including local and regional banks/credit unions, foundations, CDBG, and CPA funds to support its homeownership program. It is becoming more and more competitive each year as less funding is available to the many applicants competing for those funds. In preparation for Valley Community Development’s approach for CPA funds, the Homeownership Department analyzed Amherst specific data that has been collected on program participants. Valley also reviewed housing data from the Registry of Deeds, the Multiple Listing Service (MLS) and the Amherst Housing Production Plan 2013. Some excerpts from the Production Plan show that population growth and housing development are being shaped by several factors which include:

- Millennials (young adults born since 1980’s) are entering the housing market saddled with student loan debt and are looking for smaller more affordable homes
- Almost 30% of all families with children consisted of single parent households. Single parent households may have more difficulty affording a home because of the reliance on one income.

The data is not very promising for LMI Amherst buyers and to buyers at or below 100% AMI. A deep subsidy will be needed to help LMI families purchase in Amherst

**The past 12 months of sales data for Amherst showed the following:**

157 single-family homes, 4 multi families, and 58 condominium homes have been actively listed for sale or sold in the past 12 months with an average sales price of \$405,513 for a single family, \$236,187 for a condominium and \$505,250 for a 2-4 unit multi-family.

- Of the 157 single-family homes sold, at least 53 were in the affordable range of our clients. Our LMI buyers could afford 34% of the homes compared to 40% of the homes available in FY18.
- Condominiums have an average sale price of \$236,187; Condominiums continue to be an affordable option for many LMI buyers depending on the condominium fees. Condominium lending has become more complicated over the past few years with more restrictions from the lenders and investors.
- Currently there are 46 single-family homes for sale in Amherst ranging in price from \$236,500 - \$1,150,000.
- Of the 46 single-family homes currently available, 8 or 17% are in the affordable range of our buyers. We generally see significantly lower inventory in the winter months and expect the available units to be significantly high next year in mid-summer.
- 4 condominium homes are available for sale and 3 or 75% of the 4 are affordable. Many of the affordable condominiums are in a 55 or older community and will not be an option for families.
- Rates continue to be low: between 4.0% – 4.25% With the use of the MHP One Mortgage for a buyer at or below 100% AMI, buyers can expect an additional discount of .5% on the rate and potentially have a fixed rate of 3.5% - 3.75% with no points. Additionally the waiver of the private mortgage insurance on this loan product helps with the affordability and buying power of the buyer.