

Cover Sheet – Non-Social Service Activity

AGENCY NAME: Valley Community Development Corporation
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 2012 CDBG REQUEST: \$41,885

1. Project Name: First Time Homebuyer Program
2. Project Description (1-2 sentences): Intensive individual pre-purchase homeownership counseling to for LMI first time homebuyers to assist with affordability and access to sustainable mortgages. Administration of down payment and closing costs grants to LMI first time homebuyers.
3. Project Location: Town wide
4. Budget Request: \$41,885
5. Type of Activity (check one):
 - Rehabilitation
 - Acquisition
 - Demolition/clearance
 - Infrastructure
 - Public Facility
 - Architectural Barrier Removal
 - Other – please explain – Increase access for LMI first time homebuyers to attain affordable homeownership
6. Demonstrate Consistency with Community Development Strategy: Meets Housing Goal from Master Plan: *A mix of housing that meets the physical need of and is affordable to the broadest possible spectrum of our community, ...*
7. Demonstrate Consistency with Sustainable Development Principles: Affordable mortgage payments are less likely to lead to mortgage defaults, foreclosures and vacant properties
8. Demonstrate Consistency with Target Area requirements: Town wide activity to promote sustainable housing costs and asset building for the broadest possible spectrum of residents
9. National Objective: Will serve at least 51% LMI. Program has historically served more than 75% LMI.

Benefit to low- and moderate-income persons

Estimate the number of low- and moderate-income persons to benefit from the Project:

At least 30 LMI prospective individual first time homebuyers will receive counseling and/or down payment and closing cost grants

Total number of individuals served: At least 35

Total Low/Mod individuals served: At least 30

Amherst First Time Homebuyer Program Narrative Questions

- A. Project Description:** Intensive first time homebuyer (fthb) counseling for Amherst residents, who have lender identified or self-identified barriers to attaining sustainable mortgage financing. Provision of (4) \$4,500 down payment and closing cost assistance grants. At least 75% of the 35 prospective homebuyers will be LMI residents.
- B. Need:** The high cost of purchasing a home in Amherst has long prevented many prospective fthbs from owning a home in Amherst. The prevalence of student renters in the Amherst rental market continues to keep market rents high in Amherst. Amherst renters therefore are often paying a high percentage of their net monthly income to rent, resulting in little opportunity for down payment savings. Historically low mortgage interest rates, combined with a decline in home sales prices is presenting a unique window of opportunity for some LMI Amherst renters, who have long been locked out homeownership, to buy a modest home in Amherst. In August, 2011 The Federal Reserve Bank promised to hold down the federal funds rate to 0 to 0.25% for the next two years, which would include this proposed program's contract period. Amherst LMI prospective buyers need individual counseling to attain homeownership in this tight credit market. FannieMae, FreddieMac, other investors, and lending institutions have sharply tightened mortgage underwriting guidelines in response to our nationwide current rates of mortgage default. Prospective homebuyers, now more than ever need intensive individual counseling to attain access to decent mortgages. The counseling will include, but not be limited to: budgeting for home maintenance & reserves, increased housing costs incurred through homeownership as compared to renting, down payment savings, debt reduction, credit building and repair, access to state subsidized mortgages, access to down payment and closing cost grants and tenancy preservation.
- C. Community Involvement:** Valley CDC has run an active first time homebuyer program since 1994 in the communities of: Northampton, Amherst, Easthampton and Hadley. Using bank funding, Valley CDC runs monthly first time homebuyer classes. On average 3-4 of our monthly fthb classes are held in Amherst each year. There is a ready pool of Amherst renters who have taken these classes, but need access to down payment and closing cost grants to squeeze into the Amherst home buying market. More than 350 Amherst renters have attended fthb classes during the last three years. We last ran a down payment and closing cost assistance fthb program, using Amherst CDBG funds in 2006 and we counseled 40 households and successfully administered \$29,700 in down payment and closing cost grants to LMI Amherst fthbs during that contract period. Six (6) grants of \$4,950 were used to enable LMI homebuyers to leverage state subsidized mortgages to purchase homes in Amherst. During the past 3 years, without marketing our first time homebuyer counseling services in Amherst, we have provided individual fthb counseling to more than 70 Amherst renters.
- D. Project Feasibility:** In June, 2011 we completed a successful CDBG contract with the City of Easthampton for a similar program. We successfully

administered \$76,000 in CDBG funds for LMI fthbs in Easthampton. Of the \$76,000 in funds, \$60,000 was used for (4) \$15,000 deferred payment loan mortgage subsidies. A lien was recorded for each of the deferred payment loans, which will be forgiven at a rate of 1/15th per year for a 15 year period. The remaining \$16,000 in CDBG funds was used for (4) \$4,000 down payment and closing cost assistance grants for LMI fthbs. Valley CDC is currently running a CDBG funded fthb counseling program for the City of Northampton. We have run such a program for the City of Northampton since 1994. We have met or exceeded our projected counseling numbers and we have the commensurate CDBG compliance and reporting experience. We have a successful track record of soliciting bank contributions to support our monthly fthb classes. Despite the weakened economy, we have raised enough funds to continue to hold monthly fthb classes in our 4 core communities of Northampton, Amherst, Easthampton and Hadley and our classes are well attended. Our September, 2011 class had to be closed after we had 35 prospective fthbs register. Our October class is booked to capacity as of this writing (9/14/11). Completion of these classes, which follow the statewide approved CHAPA curriculum, allow income-eligible fthbs to gain access to state subsidized mortgages, down payment grants and to apply for any subsidized homeownership developments. Our Homeownership Director will administer the proposed Amherst FTHB Program. She has more than 12 years of experience in pre- and post-purchase homeownership counseling and 12 years of experience administering CDBG funds for various fthb programs.

- E. Impact:** Valley CDC does not promote homeownership as the most sustainable path to affordable decent housing for our clients. We work with prospective fthbs to help them to explore their options for homeownership. In the event that the clients decide that they can't afford homeownership, we assist them to manage their finances to preserve their tenancy. Most of our fthb clients decide to save for a down payment for 1-4 years and we assist them with an action plan & budget for savings, building and maintaining strong credit to lower other borrowing costs, such as auto loans and we provide advice on debt reduction. Our office works with attorneys from the National Consumer Law Center to provide the best possible student loan debt management advice. We offer advocacy in dealing with illegal debt collection practices, repossessions, access to utilities and we provide information and referrals as needed for bankruptcies. We assist our clients to identify and avoid predatory lending in its' many forms (tax refund anticipation loans, payday loans, etc.).
- F. Evaluation:** We periodically survey our clients to see how we have and how we can best continue to meet their needs. Our class attendees fill out surveys every month. We seek program design input from our fthb clients. Our Homeownership Director attends relevant trainings, when they are available and stays current on loan products, changes to underwriting guidelines and other changes to consumer lending. We measure success by clients communicating that they are moving towards or achieving their goal(s) for homeownership or secure tenancy.
- G. Agency Information:** Valley CDC has been working to empower LMI and minority residents in the communities of Northampton, Amherst, Easthampton

and Hadley since 1988. We offer small business development counseling for existing and start-up businesses, affordable housing development and pre- and post-purchase homeownership counseling. In the last 5 years, we have seen a dramatic increase in foreclosure prevention clients. We have counseled more than 450 post-purchase clients during the last 5 years and that experience continues to profoundly influence our pre-purchase counseling. As a CDC and a HUD-designated Community Housing Development Organization (CHDO), at least 1/3 of our governing board must be LMI community members. Our CHDO status is annually recertified for compliance with HUD's 1/3 LMI composition of Board of Directors requirement. DHCD oversees this recertification in Massachusetts.

**Valley Community Development Corporation
First Time Homebuyer Program
July 1, 2012 - June 30, 2013**

Personnel:	
Executive Director (.03 FTE)	\$ 1,950
Homeownership Director (.25 FTE)	\$ 11,976
Fringe (25%)	<u>\$ 3,482</u>
Subtotal Personnel	\$ 17,408
Other Expenses:	
Training/Staff Development	\$ 125
Travel	\$ 200
Advertising	\$ 250
Office Supplies	\$ 100
Printing	\$ 50
Postage	\$ 100
Indirect/overhead	\$ 5,652
Total Other Expenses	<u>\$ 6,477</u>
Total Expenses	\$ 23,885
Down Payment/Closing Costs \$4500 x 4 grants	\$ 18,000
Total Program Expenses	\$ 41,885