

Down Payment Assistance Programs Across Massachusetts

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Summer 2019



3,105,000 out of 6,547,629 Massachusetts residents live in an area covered by a down payment assistance (DPA) program.

32 programs cover 67 cities and towns. (We received information from 31 of the 32 programs.)

These programs successfully provide assistance to roughly 432 people per year.

Programs (Cases per year, Type of funding, Program allotment, Total municipal allotment)

Springfield (112, HOME & CPA, \$250,000, \$2,855,365)

Boston (100, CDBG, unsure, \$17,146,361)

Worcester (25-35, CDBG, \$80-100,000, \$4,382,360)

Lynn (25, HOME & CDBG, \$250,000, \$1,908,779)

Lawrence (23, HOME, \$200,000, \$825,550)

Chicopee (15, HOME, \$125,000, \$804,038, split with Holyoke-Chicopee-Westfield Consortium)

Greater Taunton/Attleboro Home Consortium (Attleboro, Berkley, Carver, Dighton, Lakeville, Mansfield, Middleboro, North Attleboro, Norton, Plainville, Raynham, Seekonk, Taunton) (15, HOME, \$120,000, \$649,028)

Lowell (HOME) (17, HOME, \$250,000, \$801,218)

Lowell (LDFC) (14, privately funded, \$66,000)

Holyoke (10, HOME, \$150,000, \$804,038)

New Bedford (10, HOME, unsure, \$580,625)

Brockton (8-10, HOME, \$150,000, \$504,903)

Haverhill (<10, HOME & CDBG, \$50,000, \$2,690,112, split with North Shore Home Consortium)

Fall River (9, HOME, \$100,000, \$972,051)

Somerville (0, HOME, unsure, \$2,478,050)

Northampton (4-8, CDBG, \$16,000, \$670,267)

Plymouth (7, CDBG, \$150,000, \$356,166, also uses AHTF for deed-restricted homes)

Barnstable County (Barnstable, Bourne, Brewster, Chatham, Dennis, Eastham, Falmouth, Harwich, Mashpee, Orleans, Provincetown, Sandwich, Truro, Wellfleet, Yarmouth) (5, HOME, \$75,000, \$427,233)

Cambridge (<5, HOME & CDBG, unsure, \$3,181,182)

Fitchburg (4, CDBG, \$25,000, \$974,302)

South Shore Consortium (Braintree, Holbrook, Quincy, Weymouth) (2, HOME, unsure, \$800,237)

Gloucester (2, CDBG, varies, \$662,525)

Wellfleet (2, CPA, \$100,000, \$501,006)

Easthampton (2, CPA, unsure, \$429,018)

Belchertown (2, CPA, \$37,000, \$242,170)

North Suburban Consortium (Malden, Medford, Arlington, Melrose, Chelsea, Everett, Revere, Winthrop) (1-2, HOME, \$85,000, \$1,887,035)

Provincetown (1, CPA, \$100,000, \$515,661)

Easton (1, CPA, varies, \$1,225,058)

Pelham (0, CPA, unsure, \$69,951)

Salem (0, CDBG, \$40,000, \$1,065,891)

Newburyport (varies, AHTF, as needed)

Categories of Funding

12 programs use just *HOME* funding

7 programs use just *CDBG* funding

6 programs use just *CPA* funding

3 programs use *HOME* and *CDBG* funding

1 program (Springfield) uses *HOME* and *CPA* funding

1 program (Lowell LDFC) uses private funding.

1 program (Newburyport) used Affordable Housing Trust Fund funding.

The programs using *CPA* funds cover the 6 smallest municipalities

The programs using *CDBG* funds tend to cover smaller populations, with Worcester and Boston being the two notable exceptions.

Amount of Assistance Provided

The programs which use *HOME* funds provide a median of \$10,000 and average of \$11,500 in assistance.

The programs which use *CDBG* funds provide a median of \$6,250 and average of \$8,500 in assistance.

Notes:

Salem, which uses *CDBG* funds, is able to increase its assistance from \$6,500 to \$7,500 if the applicant completes CHAPA-certified homebuyer counseling.

Amount of Assistance Provided

The programs which use *CPA* funds provide a median of \$12,500 and average of \$25,400 in assistance.

Easton, which uses *CPA* funds, provides \$95,000 of assistance, but requires that the property become deed restricted upon closing.

Lynn and Haverhill, which use both *HOME* and *CDBG* funding, can provide \$6,000 and \$7,500, respectively.

Springfield uses both *HOME* and *CPA* funding, and can provide \$2,500.

Lowell's *LDFC* program is privately funded and can provide \$5,000.

Newburyport's program is funded through *AHTF* and can provide \$15,000

Maximum Assistance Percentages

Some programs determine assistance as a percentage of the down payment either instead of or in addition to flat assistance limits.

6 programs provide a maximum of 50% of the total down payment.

9 programs provide between 3% and 10% of the total purchase amount.

Easton provides 35% of the total purchase amount, but requires that the home become deed restricted upon closing.

Asset Caps

Most programs set a cap for the amount of assets a homebuyer can possess and still qualify for the program. Homebuyers can typically avoid this cap by investing their excess assets into the purchase. Many municipalities explicitly exclude retirement savings when determining assets.

Asset Caps

HOME funded programs set a median cap of \$25,000 and average of \$37,200.

Holyoke caps assets at three months of housing/living expenses rather than the flat amount.

CDBG funded programs set a median cap of \$75,000 and average of \$66,600.

Worcester also requires that assets not exceed more than 20% of the purchase price, pre-pays and closing costs.

Asset Caps

CPA funded programs all set an asset cap of \$75,000, with the exception of Belchertown, which does not use an asset cap.

Cambridge uses both *HOME* and *CDBG* funds and sets a cap of \$75,000 but performs an additional needs test to ensure that assistance is necessary.

Springfield uses both *HOME* and *CPA* funding and sets a cap at \$15,000, but allows for exceptions on a case by case basis.

Newburyport uses *AHTF* funding and sets a cap of \$75,000 which increases to \$375,000 if the homebuyer is 55 or older.

Area Median Income %

DPA programs require homebuyers to not exceed a certain percentage of the Area Median Income.

Almost all municipalities set that limit at 80% of AMI.

Belchertown, Provincetown, Easthampton, Wellfleet, and Pelham, all of which use *CPA* funds and set a limit of 100% of AMI.

Springfield uses *HOME* funds for homebuyers at 80% or below AMI, and *CPA* funds for homebuyers between 81% and 100%.

Boston uses *CDBG* funds for homebuyers at 80% or below AMI, and Housing 2030 funds for homebuyers between 81% and 120%.

Lowell (LDFC) sets an income limit of \$145,530, which is 193% of AMI.

Payback Terms

12 out of the 31 programs require homebuyers to pay back the assistance upon sale, transfer, or refinancing of the home.

Of the 16 *HOME* funded programs, 10 forgive the loan after terms of 5-10 years.

Of the 10 *CDBG* funded programs, 5 forgive the loan after terms of 3 or 5 years.

Newburyport's program, funded through AHTF, forgives the loan after 10 years.

Notes:

6 of the 15 municipalities mentioned above which allow loans to be forgiven do so on an incremental basis, rather than solely at the end of the term. For example, Springfield forgives 20% of the loan each year.

Housing Quality Standards

16 of the 31 programs allow some amount of Housing Quality Standards (HQS) issues to be resolved after closing. Some programs set specific time limits between 30 days and 24 months for issues to be resolved.

Notes:

Springfield is only able to allow post-closing fixes if the assistance is funded through CPA.

Haverhill only allows lead issues to be resolved after closing, and it must be before occupancy.

Some municipalities have separate rehabilitation programs which can be utilized as well.

Newburyport's AHTF funded program does not require any housing standards beyond standard building codes.

Debt Ratios

Debt ratios are often divided into a front-end ratio - calculated as the percentage of gross income going to housing expenses, and a back end ratio - calculated as the percentage of gross income going to total debt payments.

20 of the 31 programs maintain a maximum debt ratio for homebuyers to qualify for the program.

HOME funded programs limit front-end debt ratios to a median of 35% and an average of 36.3%. Back-end ratios are limited to a median of 45% and an average of 44.1%.

Debt Ratios

CDBG funded programs limit front-end ratios to a median of 31% and an average of 32.5%. Back-end ratios are limited to a median of 43% and an average of 43.8%.

Worcester allows the back end ratio to increase from 45% to 50% if the homebuyer is using MassHousing, MHP, or NACA financing.

Gloucester allows the back end ratio to increase from 43% to 46% if the homebuyer's credit score is above 680.

Fitchburg allows front and back end ratios to be exceeded when compensating factors are present such as high cash reserves, a small marginal increase in housing payments, previously unconsidered income, high credit, employment stability, and a low percentage of revolving debt.

Debt Ratios

Easthampton and Pelham, both funded through *CPA*, set a maximum debt ratio of 31% and 43%. Increasing the front-end to 32% can be considered if the homebuyer possesses reserve funds.

Several programs, including most of the *CPA* programs, do not check for debt ratios. Lowell (*HOME*) , Lynn, Boston, and Lawrence only use a 45% back end. Lowell (*LDFC*) only uses a 42% back end.

Springfield uses a 45% back end ratio, but also requires a 25% front-end ratio when a homebuyer is below 80% *AMI*, and thus using *HOME* funds instead of *CPA* funds.

Fall River and Lawrence also require credit scores of 650 and 680, respectively.

Maximum Down Payments

In order to ensure that assistance is necessary, some programs set a maximum down payment that a homebuyer can make and still qualify.

South Shore Consortium (*HOME*) does not allow more than 1.5% (Weymouth) or 3% (Braintree, Holbrook, Quincy)

Lawrence (*HOME*) does not allow more than 5% or \$15,000.

Lowell (*HOME*) and Lynn (*HOME & CDBG*) do not allow more than 10%.

Gloucester (*CDBG*) does not allow more than \$50,000.

Program Administration

13 of the 31 programs are administered by a third party or non-profit, rather than the municipality.

The North Suburban Consortium is administered by the Malden Redevelopment Authority.

The Greater Taunton/Attleboro Home Consortium is administered by Pro-Home.

Barnstable County is administered the Housing Assistance Corp.

The South Shore Consortium is administered in partnership with Neighborworks Housing Solutions (NHS).

Both Lowell programs are administered by the Merrimack Valley Housing Partnership.

Program Administration

Brockton is administered by a partnership of the Brockton Redevelopment Agency and Neighborworks Housing Services (NHS).

Lynn is administered by Lynn Housing Authority and Neighborhood Development (LHAND).

Holyoke is administered by the Holyoke Housing Authority.

Northampton, Easthampton, and Pelham are administered by Valley Community Development.

Belchertown is administered by Way Finders.

Wellfleet is administered in tandem with the Wellfleet Housing Authority.

Program Allocations

HOME -

Median: \$120,000 Average: \$126,000

- Barnstable County uses \$15,000 of their \$75,000 allocation.
- North Suburban Consortium does not generally exhaust its \$85,000 allocation.
- Greater Taunton/Attleboro Home Consortium exhausts its \$120,000 allocation.
- Lowell's HOME program uses \$200,000 of its \$250,000 allocation.
- Fall River exhausts its \$100,000 allocation.
- Lawrence exhausts its \$200,000 allocation.
- Chicopee exhausts its \$125,000 allocation.
- Holyoke was allocated \$150,000 in 2015, and has not yet exhausted it.

Program Allocations

CDBG-

Median: \$40,000 Average: \$64,200

- Northampton uses \$12,000 of its \$16,000 allocation.
- Salem generally does not exhaust its \$40,000 allocation.
- Plymouth uses \$98,000 of its \$150,000 allocation.

Program Allocations

CPA-

Median: \$100,000 Average: \$90,500

- Easthampton has \$7,500 left for the year of its undetermined allocation.
- Belchertown has not exhausted its \$37,000 allocation.
- Provincetown uses \$30,000 of its \$100,000 allocation.
- Wellfleet uses \$40,000 of its \$100,000 allocation.
- Easton splits some of its \$125,000-\$200,000 allocation with the Affordable Housing Trust Fund (AHTF).

Newburyport's AHTF funding varies and is allocated as needed.

Observations

- Assistance amounts, asset caps, and debt ratios vary considerably between programs.
- Of all the Massachusetts residents who received down payment assistance last year, nearly half lived in Boston or Springfield.
- Springfield is able to assist over 100 homebuyers every year by supplementing *HOME* funding with *CPA* funding and providing small grants of \$2,500.
- All of the towns with populations under 25,000 use *CPA* funding.
- Roughly half of the programs forgive loans after a certain term.
- Roughly half of the programs allow housing quality issues to be resolved after closing.

What's next?

- How do we increase volume?
- Identify best practices (ie. Advance funds for smooth closings)
- What are the common obstacles for buyers? (House prices, debt ratios, income limits)
- What are the common obstacles for administrators? (Employee resources, advertising, commitment from management)
- What do we do with this data?
- How do we keep this data current?