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MEMORANDUM

TO: Thomas A. Golden, Jr., City Manager

FROM: Yovani Baez-Rose, Assistant City Manager/DPD Director

CC: Cathy Mercado, MVHP Executive Director

SUBJECT: MOTION RESPONSE: March 14, 2023 - C. Noun –
Req. City Mgr. With A Report Concerning The Number of Individuals Using City Programs To Aid Residents In Housing/Purchasing Homes In The City; Said Report Should Include Ways The City Can Better Advertise Such Programs.

MOTION RESPONSE: February 7, 2023 - C. Rourke
Req. City Mgr. Have The Appropriate City Department Meet With The Merrimack Valley Housing Partnership To Explore Current Homebuyer Assistance Programs Offered Trough MVHP To See If There Can Be An Increase In Access An Opportunities For Potential First-Time Home Buyers In The City

Introduction

The City of Lowell, along with the Merrimack Valley Housing Partnership have worked closely for many years by providing intake and eligibility services for the First Time Home Buyer Down Payment Assistance Program (FTHB). Hundreds of first time home buyers have received nearly \$6 million in assistance so far, leveraging more than \$220 million in real estate sales. MVHP brings its accreditation from the Massachusetts Homeownership Collaborative. They utilize a comprehensive curriculum and operate under a code of ethics. Since MVHP holds a Seal of Approval, graduates of the home buyer training program are eligible for special mortgage products and down payment assistance programs.

Lowell residents benefit from MVHP's long history in the community. Notably, word of mouth is the most effective means of promoting our services; fully 40% of last year's participants came to us through general word of mouth, and another 25% through lender referrals.

MVHP's Objectives:

- Sustaining our successful home buyer training programs and counseling services;
- Engaging younger households to plan for homeownership in the context of the current housing market and the high levels of student debt for many young workers;
- Expanding down payment assistance programs in towns surrounding the City of Lowell, where they do not currently exist;
- Leveraging public and philanthropic resources to expand interest rate reduction programs.

MVHP's Long-Term Impact:

Our programs are designed to ensure that households of all income levels can become homeowners within our region, and to mitigate long standing racial disparities in homeownership opportunities.

- We introduce the programs to about 800 households each year in our home buyer training classes.
- We also promote the programs within the lending and real estate brokerage communities.
- Educated nearly 20,000 first time home buyers in 3 languages
- Leveraged \$220 million in real estate sales
- Greatly reduced the negative impact of the foreclosure crisis in Greater Lowell
- Led a “Don’t Borrow Trouble” public awareness campaign which helped to prevent hundreds of home buyers from falling into the hands of predatory lenders.
- Provided services for the LEAD Paint Program (GTLO) and Housing Rehabilitation Program (HRP)

Advocacy Partnerships

We are active members of regional and statewide networks, including: GLHA Housing & the Built Environment Task Force (Greater Lowell), Merrimack Valley Housing Consortium (7 towns), Common Ground Development Corporation and the statewide networks of Abundant Housing MA, Citizens Housing and Planning Association, and Massachusetts Housing Partnership.

Advertising

With the help of these organizations, the City of Lowell’s Housing And Energy Department, and the MVHP, the team uses social media platforms, newspapers, email blasts, and local community events with different languages to promote these programs and letting the community know about the opportunities available to access a home.

Our Aspiring Home Buyers

MVHP intentionally reaches out to first-time homebuyers who have limited financial and social capital. Of 2022 graduates of our home buyer training classes:

- Fully 80% had incomes of 80% or less of the Area Median Income (AMI) 2022
- More than half (55%) were women
- 43% identified as Black, Indigenous or People of Color (BIPOC)
- 30% identified as Hispanic
- A significant majority (77%) are aged 40 or younger, and 33% were aged 30 or younger.

Community Need

Buying a first home is one of life’s biggest challenges. It is a complicated, expensive and emotional process which requires ample preparation and education. It is even more of a challenge when a person is not familiar with American financial systems and practices. Language barriers add to the challenge.

First time home buyers need to be able to qualify for mortgage financing. The underwriting criteria used by lenders has tightened considerably in recent years which makes the process even more daunting.

The overall rate of home ownership is lower in Lowell than in most parts of the country. It is even lower within minority communities. U.S. Census data indicates that the national rate of home ownership is 64%. In Lowell, the overall rate is just 43%, and rates are even lower among people of color and/or immigrant communities.

Building a good credit history is vital for first time home buyers in order to qualify for mortgage financing. Also important is the ability to negotiate prices, apply for a mortgage, evaluate and compare loan products, close on a loan and properly maintain a property.

The benefit to the community of increasing the rate of home ownership is enormous. Multiple studies have reinforced the notion that home ownership stabilizes communities, promotes civic engagement and creates healthier neighborhoods. For the buyer, it creates a pathway to build wealth while enjoying tax advantages and family stability.

Individuals and families who complete home buyer training fare extremely well as homeowners. They are far more likely to seek and qualify for the best loan products available. MVHP supports aspiring buyers in these next steps, as well. Seminar series graduates sign up for individual financial and credit counseling with one of MVHP's **HUD-certified housing counselors**. These personalized sessions are enormously important in helping each household develop a realistic and attainable work plan for their first-time home purchase. There is no additional cost for individualized home buyer counseling, regardless of how often or over how much time the participants meet with MVHP staff. Counseling may range from months to years of support, depending on the household's situation and the market options.

Graduates of the home buyer training program are eligible to apply for down payment assistance utilizing one of two programs available in Lowell.

Economic Challenges

Support for first-time home buyers is essential to keeping our communities accessible and diverse, especially as remote work options change households' options. MVHP sees that even households with steady incomes often face a cash crunch in the purchase process, with additional outlay for closing costs and home inspection fees. Many young professionals are burdened with high student loan debt. Even with strong income, their debt-to-income ratio puts these aspiring homeowners at a disadvantage with mortgage lenders. A 2021 study by the National Association of Realtors found that fully half of student loan holders say their debt delayed them in purchasing a home.

Despite exponential rent increases, homeownership is increasingly out of reach for median-income residents. In Middlesex County, the median value of owner-occupied homes is more than \$560,000 – about 1.4 times the state median.

Lowell is the Merrimack Valley's largest city. The average single-family home in the city is \$474,000, the average townhouse/condo is \$274,900, and the average two-family home is \$574,000. Real-estate professionals say the market will continue to increase by 16% in the next few years

Process Challenges

- It is often a challenge to get applicants ready to qualify by reducing debt levels and building good credit histories.
- One of the challenges we face is effectively communicating the responsibilities of the applicants and the mortgage lenders in being organized and preparing accurate and complete materials. This is often a labor intensive and complicated process.
- It is also a challenge to educate the mortgage originators and the real estate brokers about how the programs work. Using the city's programs requires some additional work on the part of the lenders; MVHP provides both technical assistance and encouragement to ensure that financial partners will support the city's resources

In response, MVHP is increasing our private fundraising to assist aspiring buyers with other expenses and to ensure that they maintain some of their own liquid assets. We are building additional programs to support Purchase & Sale deposits, inspection fees, interest buy-downs, and closing costs, all of which can help buyers maintain sustainability beyond the closing date.

MVHP's Return on Investment

MVHP brings tremendous value to the City of Lowell and its residents. The organization currently operates with just 4 FTE staff members and an annual operating budget of less than \$600,000. MVHP is committed to increasing its private support from corporate partners and through foundation grants, and increased investment from the City of Lowell itself will directly benefit Lowell's lower- and moderate-income residents who want to stay in the City as homeowners.

Acre Crossing

MVHP is beginning to offer contracted services to manage affordable-housing lottery processes and waitlists, and to serve as the buyer liaison for affordable-housing units or developments. The developer of Acre Crossing, a mixed-use building in Lowell's Acre neighborhood that will create 32 units of affordable housing, has selected MVHP to serve as its lottery and listing agent.

This is an exciting next step for MVHP's growth. Since our extensive community networks and partnerships focus on reaching lower- and moderate-income households, we are ideally positioned to reach Lowell residents who can apply for available homes. We are able to coordinate with them through each stage of the process and to connect buyers with the resources, ensuring that applicants are able to see the process through in as many cases as possible. Concurrently, MVHP will be earning agent fees from the developer while we continue to fulfill our own mission of increasing affordable home ownership opportunities.

Down Payment Assistance

We connect potential buyers with resources through Mass. Housing Partnership's ONE Mortgage Program for down payment assistance and MVHP's own One+ Lowell pilot program, which provides interest rate discounts on 30-year fixed-rate mortgage loans originated through the ONE Mortgage Program. To be eligible, buyers must earn at or below 100% AMI. Households are eligible for a total program award of \$25,000 - this includes the cash value of the interest rate discount (\$10,000-\$12,500) and the down payment/closing cost assistance (up to \$12,500). The resulting lower interest rates will provide low- and moderate-income first-time homebuyers (below 100% of area median income) with more purchasing power, enabling them to purchase either deed-restricted or market-rate homes in Lowell.

The pilot program's 30-year interest rate discount will be funded in part through \$500,000 in Community Preservation Act (CPA) funds from the City of Lowell, awarded in the city's first round of CPA grants in 2022. The maximum amount of CPA funds per application is \$25,000, so MVHP is actively fundraising for additional private funding to increase the funding pool for Lowell's aspiring home buyers.

City of Lowell Lowell Down Payment Assistance Programs

❖ City of Lowell HOME Program

Federally funded program for down payment and closing cost assistance for first-time homebuyers. This is a no-interest loan program. The loan is to be repaid upon the sale of the home, transfer of the deed, or refinance of the property. The amount of assistance provided is based on need. The maximum amount of assistance is \$11,800.

Program Restrictions:

- The current program's eligibility criteria limits participation to households with incomes not exceeding 80% of the area median income (AMI), which unfortunately excludes a significant portion of the population residing in the City of Lowell.
- Amidst the challenges of inflation and escalating rental costs, aspiring homeowners are facing a formidable obstacle in accumulating savings. Despite this, individuals with commendable credit and timely bill payments can still qualify for home ownership. The present eligibility criteria for this program states buyers to provide 1.5% of their own funds as a down payment, which can prove to be a hard task for many, particularly in the current climate.
- The Home quality standards for this program, which are derived from the Code of Federal Housing Quality Standards outlined in **24 CFR 982.401**, present a challenge in that they render many homes available for purchase in the City of Lowell ineligible. This is particularly problematic given that a significant proportion of the housing stock in Lowell is aging.

Using CDBG, ARPA, and CPA funds to create new programs would widen the scope of beneficiaries who exceed 80% of the area median income as well as remove the restrictions of the code of Federal Housing Quality Standards outlined in **24 CFR 982.401**.

❖ Lowell Development & Financial Corporation - No-Interest Loan

The LDFC provides a no-interest loan for up to \$7,500. The amount of assistance would be 1.5% of the purchase price if the lender requires a total of 3% down. The amount of assistance would be 2.5% of the purchase price if a total of 5% down is required by the lender. This program is ideal for those Lowell buyers who exceed the income limits for the City of Lowell HOME program but fall below the LDFC limits.

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