



Ruthanne Fuller  
Mayor

Barney Heath  
Director  
Planning & Development

Rachel Powers  
CD Programs Manager  
Planning & Development

#### Members

Scott Wolf, Chair  
Peter Doeringer, Vice Chair  
Megan Meirav  
Sonia Parisca  
Chris Steele  
Barney Heath, *ex officio*

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# CITY OF NEWTON

## Planning and Development Board

### AGENDA

DATE: **Monday, March 5, 2018**  
TIME: **7:30 p.m.**  
PLACE: **Newton City Hall, Room 204**

1. **Minutes:** Approve minutes from the February 5, 2018
2. **Action Item/Vote:** Modifications to the Downpayment/Closing Cost Assistance Program
3. **Next Meetings:**
  - March 12, 2018 at 7:00 p.m., Joint ZAP/ Planning & Development Board Hearing (Inclusionary Zoning, Non-accessory Parking & Garage Ordinance)
  - April 5, 2018 at 7:30 p.m., Planning & Development Board
  - April 9, 2018 at 7:00 p.m., Joint ZAP/ Planning & Development Board Hearing (Inclusionary Zoning, Shared Parking & Zoning Redesign)

*The location of this meeting is wheelchair accessible and reasonable accommodations will be provided to persons with disabilities who require assistance. If you need a reasonable accommodation, please contact the city of Newton's ADA/Sec. 504 Coordinator, Jini Fairley, at least two business days in advance of the meeting: [jfairley@newtonma.gov](mailto:jfairley@newtonma.gov) or (617) 796-1253. The city's TTY/TDD direct line is: 617-796-1089. For the Telecommunications Relay Service (TRS), please dial 711.*

# PLANNING & DEVELOPMENT BOARD MEETING MINUTES

February 5, 2018



## Full Members Present:

Scott Wolf, Chair  
Peter Doeringer, Vice Chair  
Megan Meirav  
Sonia Parisca  
Barney Heath, Director of Planning & Development, *ex officio*

## Staff Present:

Rachel Powers, Community Development Programs Manager

Ruthanne Fuller  
Mayor

Barney Heath  
Director  
Planning & Development

Rachel Powers  
CD Programs Manager  
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Scott Wolf, Chair  
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### 1. Action Item: Approval of Minutes of January 16, 2018 meeting

Chair Wolf opened the meeting at 7:34 p.m. The motion was made by Vice Chair Doeringer and Seconded by Chair Wolf, and approved 4-0-1, with Ms. Parisca abstaining, to approve the minutes of January 16, 2018.

### 2. Action Item/Vote: Approval of Substantial Amendment to Newton's FY18 Annual Action Plan

#### a. Revision to FY18 Emergency Solutions Grant Allocations

Housing and Community Development Division staff Ms. Powers presented a proposal to allocate supplemental FY18 ESG funds received by the City. Based on HUD's initial award allocations, the City of Newton originally distributed \$156,875 in FY18 Emergency Solutions Grant (ESG) Program funds through an RFP process to 5 non-profit human service agencies. However, further HUD notification indicated the City would receive an additional \$118,197 in ESG funding, bringing the total ESG award to \$275,072. She explained that Division staff consulted with local contingent of the former Brookline-Newton-Waltham-Watertown (BNWW) Continuum of Care (CoC) on how best to distribute these unexpected funds. Ms. Powers noted an emerging need for emergency shelter rehabilitation and accessibility improvements.

Staff outlined the following recommendations:

- **\$102,293 Emergency Shelter Services**, with a priority towards shelter rehabilitation and accessibility improvements. Funding is proposed to be distributed between The Second Step and REACH, Inc., who appear to have the greatest need at this point in time.

- **\$3,519 Homelessness Prevention**, funding is proposed to be allocated to Brookline Community Mental Health Center to address the continued need for homelessness prevention.

- **\$3,519 Rapid Re-Housing**, funding is proposed to be allocated to The Second Step to address the continued need for rapid re-housing assistance.

Chair wolf inquired into the process of identifying needs and how the distribution of funds was determined in lieu of issuing an RFP. Ms. Powers indicated that the need was identified through shelter inspections by the Division construction manager and discussion with the local ESG shelters. While an RFP would typically be issued, timing is of the essence in the expenditure of these funds.

Vice Chair Doeringer also expressed concerns, preferring to see funding allocated through an RFP toward direct services. He indicated that the most persuasive element of the recommendation was that most of the agencies were there at the table for the allocation discussion.

Dir. Heath mentioned wanting to avoid spending issues and reiterated the need to be timely in expenditures.

Vice Chair Doeringer proposed an amendment, that following the completion of rehabilitation needs, that any leftover funding would be added to the following year's RFP.

The motion was moved by Chair wolf, seconded by Ms. Meirav, and approved 5-0-0 to accept the Division's recommendations for the allocation of supplemental ESG funding, with Vice Chair Doeringer's amendment.

### **3. Next Meetings**

Staff member Ms. Powers discussed the timeline for upcoming meetings and confirmed the availability of Board members. ZAP Meetings are currently scheduled for 7:00PM on Feb 12<sup>th</sup> and March 26<sup>th</sup>. There could be potential conflicts in achieving a quorum with the regularly scheduled March 5<sup>th</sup> meeting. The Board is currently awaiting new members.

### **4. Action Item: Adjournment**

Upon a motion by Vice Chair Doeringer, seconded by Chair Wolf and unanimously passed 5-0-0, the meeting was adjourned at 7:59 p.m.



Ruthanne Fuller  
Mayor

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Barney S. Heath  
Director

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## MEMORANDUM

**To:** Planning and Development Board

**From:** Rachel Powers, Community Development Programs Manager

**Copy:** Danielle Bailey, Grants Manager  
Elizabeth Valenta, HOME Program Manager  
Malcolm Lucas, Housing Planner

**Re:** City of Newton Downpayment/Closing Cost Assistance Program

**Date:** March 1, 2018

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### BACKGROUND

In 2017, the City established a Downpayment/ Closing Cost Assistance Program to support and expand affordable homeownership in Newton. While the region's escalating housing market rendered previous "buy down" programs impossible to implement, the current Downpayment/ Closing Cost Assistance Program's targeting of existing and newly deed-restricted affordable properties presented a more effective strategy to support sustainable homeownership among low-and-moderate income households and requires comparatively smaller amounts of financial assistance.

However, the initial program design proved complicated during the sale of the affordable units at Court Street and resale of previously deed-restricted properties. Staff encountered challenges related to the program's structure, and in an effort to continue supporting our intended mission, have made several recommendations to restructure and streamline assistance for low-to-moderate income homebuyers in Newton.

### PROPOSED PROGRAM RESTRUCTURING

The Downpayment/ Closing Cost Assistance Program was developed to offer small down payment assistance grants and closing cost assistance structured as a deferred, forgivable loan to low-to-moderate income first time homebuyers purchasing deed-restricted properties through the newly constructed Court Street development and resales through the existing deed-restricted inventory.

For Court Street, the program captured households at two different phases of the lottery process and targeted households that were either income qualified for a mortgage but didn't have the necessary downpayment to secure financing (*see Table 1*)

Unit Size	1-BR	2-BR	3-BR
<b>Affordable Sales Price</b>	\$178,600	\$201,300	\$223,900
<b>1.5% DPA Grant</b>	\$2,700	\$3,100	\$3,400
<b>2.5% Closing Cost Assistance/Mortgage Buy Down as Deferred Payment Forgivable Loan</b>	\$4,500	\$5,000	\$5,600
<b>Total Amount of Assistance Available per Household</b>	\$7,200	\$8,100	\$9,000
*Assistance amounts have been rounded up to the nearest one-hundredth			

**Table 1: Household Type 1**

or those would be buyers who could secure the necessary financing and downpayment but needed the support of closing cost assistance to prevent overextending themselves financially (*see Table 2*)

Unit Size	1-BR	2-BR	3-BR
<b>Affordable Sales Price</b>	\$178,600	\$201,300	\$223,900
<b>4% Closing Cost Assistance/Mortgage Buydown as Deferred Payment Forgivable Loan</b>	\$7,200	\$8,100	\$9,000
<b>Total Amount of Assistance Available per Household</b>	\$7,200	\$8,100	\$9,000
*Assistance amounts have been rounded up to the nearest one-hundredth			

**Table 2: Household Type 2**

An inter-departmental meeting with the Law office concluded that the deferred loans were too burdensome for such small awards and was even more complicated when provided in conjunction with a grant. Targeting two specific sets of households and placing prescriptive requirements for each type of assistance provided were also problematic. Eligibility for downpayment assistance was offered based on the amount of a household's liquid financial assets, but within an extremely limited window, and at times inadvertently excluded those households that could have used such assistance the most. While well-intentioned, the result was an underutilized program and an onerous administrative process, with confusing programmatic layers.

Additional challenges included the phased applications, which meant that buyers seeking downpayment and closing cost assistance to secure primary financing during the Court Street lottery had to apply twice. This over inundated Division staff, who received more than 60 applications in the first round and not all who were eligible for a pre-approval of downpayment/closing cost assistance was selected during the lottery. Moreover, the second level of application review was more in-depth and a pre-approval during the first round, didn't necessarily guarantee a commitment of assistance at closing, even if selected in the lottery.

With these experiences in mind, Division staff make the following recommendations in restructuring the Downpayment/ Closing Cost Assistance Program:

- Downpayment/closing cost assistance will remain available, but only through a simplified, single-phased application; only buyers selected through future affordable housing lotteries and resales may apply;
- Qualified buyers approved by the program can receive \$10,000 in lump sum downpayment/closing cost assistance in the form of a grant; program participants must execute a grant agreement, in lieu of a mortgage or promissory note;
- Applicants' liquid assets cannot exceed \$75,000, as set by Department of Housing and Community Development's (DHCD) Local Initiative Program (LIP); however, there will no longer be a prescriptive minimum asset requirement to receive assistance;
- After a full underwriting analysis, the borrower's projected Debt-to-income Ratio must not exceed a 35% Housing-to-Income Ratio and a 45% Total Debt-to-Income Ratio to receive assistance.

#### **STAFF RECOMMENDATIONS**

The City of Newton Downpayment/Closing Cost Assistance Program provides income-eligible first-time homebuyers with financial assistance to support the purchase of new and existing deed-restricted homeownership units in Newton. This assistance is intended to promote sustainable homeownership and preserve financial assets for our low-and-moderate income buyers. To this end, the Housing and Community Development Division respectfully request the aforementioned modifications to the City of Newton Downpayment/Closing Cost Assistance Program in order to streamline the provision of downpayment/closing cost assistance and simplify the application process.



# City of Newton Downpayment/Closing Cost Assistance Program *Program Overview*

## **PROGRAM SUMMARY**

The City of Newton Downpayment/Closing Cost Assistance Program (Program) provides income-eligible first-time homebuyers with financial assistance to support the purchase of new and existing deed-restricted homeownership units in Newton. The Downpayment/Closing Cost Assistance Program assists first-time homebuyers in securing mortgage financing for the purchase of a home, while preserving the financial assets of homeowners. The goal of the Program is to expand and support sustainable homeownership among low- and moderate-income households in Newton.

Specific programmatic standards must be satisfied in order to be eligible for assistance. Program grants of \$10,000 may be used toward the downpayment and related closing costs of a deed-restricted home in Newton that will be occupied by qualified buyers as their primary residence.

At this time, the City is only accepting applications for assistance to support the purchase of a deed-restricted home at [REDACTED].

## **PROGRAM ELIGIBILITY**

Program eligibility for households is detailed in the *Downpayment/Closing Cost Assistance Program Guidelines*. There is no Local Preference for the Program, however, the applicable Affordable Housing Lottery may have Local Preference provisions. Applicants may only apply for the Downpayment/Closing Cost Assistance Program once they have won the lottery and have applied for a mortgage.

Applicants must be low- or moderate-income, which means that their household income is at or below 80% of the area median income. Income determination is detailed in the *Guidelines*. Additionally, the applicant's liquid assets cannot exceed the \$75,000 asset limit of the Department of Housing and Community Development's (DHCD) Local Initiative Program (LIP), as set forth in DHCD's Guidelines for Comprehensive Permit Projects. A full underwriting analysis will be completed as part of the eligibility determination to establish if the homeowner can achieve financial stability and sustainability after the purchase of the home. The borrower's Debt-to-income Ratio, after inclusion of the receipt of financial assistance through the Program, must not exceed a 35% Housing-to-Income Ratio and a 45% Total Debt-to-Income Ratio.

In addition to income and asset requirements, all households must meet DHCD's definition of first-time homebuyer, as detailed in the *Program Guidelines*.

## HOUSING COUNSELING

Households are required to attend pre- and post-purchase homeownership counseling from a HUD-approved counseling agency. Households will be required to complete pre-purchase counseling prior to entering into a purchase and sale agreement to purchase the unit. Households will be required to complete post-purchase counseling within 6-months of owning the home.

## APPLICATION PROCESS

Applications for the affordable unit can be submitted by mail or hand-delivered to the City of Newton. **The deadline to submit applications for the [REDACTED] Project is [REDACTED], 2018 at 5:00 P.M.**

If an applicant is chosen from the lottery to purchase the affordable housing unit, then they may submit the Downpayment/Closing Cost Assistance Program Application. The Program Application can be submitted by mail or hand-delivered to the City of Newton. From the submission of the Program Application, the entire application process may take between 45 to 60 days to complete until the closing on the unit.

Once the Program Application is received with all requested documents, the Housing and Community Development Division will review the application and mail the client a letter to inform the applicant if their application has been approved. The applicant should immediately share this letter with the mortgage lender so that the grant funds can be calculated into the closing documentation.

The City of Newton will provide the lender and closing attorney with detailed closing instructions once the applicant has agreed to the terms of the approval and the assistance amount. The applicant will sign a funding agreement and a check will be issued by the City of Newton for the closing in the closing attorney's name. Please note that applicants may not receive cash back at closing or be reimbursed for prior expenses.

All households should review the [REDACTED] *Information Packet* and the *Downpayment/Closing Cost Assistance Program Guidelines* for additional information on eligibility. These documents are available online at:

### Information Packet

<http://www.newtonma.gov/gov/planning/hcd/affhousing/default.asp>

*Downpayment/Closing Cost Assistance Program Guidelines:*

<http://www.newtonma.gov/homeownership>

## FAIR HOUSING

It is the policy of the City of Newton that each person shall have equal access to and equal opportunity in housing, regardless of race, color, religion, national origin, disability, age, sexual orientation, gender identity or expression, marital status, familial status (families with children under 18), public assistance (including rental vouchers), genetic information, or military status.



Applicants requiring a reasonable accommodation to access the Program should contact the city of Newton's ADA/Sec. 504 Coordinator, Jini Fairley, at [jfairley@newtonma.gov](mailto:jfairley@newtonma.gov) or (617) 796-1253. The City's TTY/TDD direct line is: 617-796-1089. For the Telecommunications Relay Service (TRS), please dial 711.

In accordance with Affirmatively Furthering Fair Housing, information about the Program is included in the Affirmative Marketing Materials for the [REDACTED] Affordable Housing Lottery.

## **ATTACHMENT A: FREQUENTLY ASKED QUESTIONS**

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**Q: What affordable units are eligible to be purchased with financial assistance from the City of Newton's Downpayment/Closing Cost Assistance Program?**

*A: Financial assistance through the Program is limited to the purchase of new or existing deed restricted, affordable housing units in Newton. The City is currently only accepting applications for the Program to provide assistance towards the purchase of [REDACTED] because this is the only deed restricted, affordable units being sold at this time.*

**Q: What type of assistance is available through the Downpayment/Closing Cost Assistance Program?**

*A: The Program will provide downpayment and closing cost assistance in the form of a grant, not to exceed \$10,000, to eligible households in order to help them secure mortgage financing and other costs that are associated with purchasing a newly or previously deed-restricted home.*

**Q: Do I have to receive Downpayment/Closing Cost Assistance through the City's Program in order to purchase [REDACTED]?**

*A: No. The financial assistance provided through the Program is intended to support sustainable homeownership and enable low-to-moderate income households preserve financial assets; however, households are not required to participate in the Program in order to be eligible to purchase [REDACTED].*

**City of Newton Downpayment / Closing Cost Assistance Program**  
**GUIDELINES**



**City of Newton**  
**Downpayment / Closing Cost Assistance Program**  
*Program Guidelines*

*Updated March 2018*

**City of Newton Downpayment / Closing Cost Assistance Program**  
**GUIDELINES**

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# City of Newton Downpayment / Closing Cost Assistance Program

## GUIDELINES

### PROGRAM SUMMARY

The City of Newton Downpayment/Closing Cost Assistance Program (Program) provides income-eligible first-time homebuyers with financial assistance to support the purchase of new and existing deed-restricted homeownership units in Newton. The Downpayment/Closing Cost Assistance Program assists first-time homebuyers in securing mortgage financing for the purchase of a home, while preserving the financial assets of homeowners. The goal of the Program is to expand and support sustainable homeownership among low- and moderate-income households in Newton.

Specific programmatic standards must be satisfied in order to be eligible for assistance. Program grants of \$10,000 may be used toward the downpayment and related closing costs of a deed-restricted home in Newton that will be occupied by qualified buyers as their primary residence.

### PROGRAM ELIGIBILITY

A successful program applicant will meet the following criteria:

Prior to Program Application, the applicant will have won a lottery for an affordable, deed-restricted housing unit in Newton AND

- Classified as a First-Time Homebuyer
- Household Income at or below 80% of area median income
- Liquid assets do not exceed \$75,000
- Debt-to-Income Ratios are within Program's ranges
- Has completed Pre-Purchase Homeownership Counseling and agrees to complete Post-Purchase Homeownership Counseling.

#### A. First-Time Homebuyer Status

In order to be eligible for the Program, members of the household must be a First-Time Homebuyer. A First-Time homebuyer is one that has not owned a home in the past three years, with the exception of:

1. Displaced homemakers, where the displaced homemaker (an adult who has not worked full-time, full-year in the labor force for a number of years but has, during such years, worked primarily without remuneration to care for the home and family), while a homemaker, owned a home with his or her partner or resided in a home owned by the partner;
2. Single parents, where the individual owned a home with his or her partner or resided in a home owned by the partner and is a single parent (is unmarried or legally separated from a spouse and either has 1 or more children of whom the individual has custody or joint custody, or is pregnant);
3. Households where at least one household member is 55 or over;

# City of Newton Downpayment / Closing Cost Assistance Program

## GUIDELINES

- Households that owned a principal residence not permanently affixed to a permanent foundation in accordance with applicable regulations; and
- Households that owned a property that was not in compliance with State, local or model building codes and that cannot be brought into compliance for less than the cost of constructing a permanent structure.

### **B. Income Eligibility**

In order to be eligible for the Program, a household's income must be within the 80% area median income (AMI) limit applicable to Newton, as defined by the U.S. Department of Housing and Urban Development. Income from all household members 18 years of age or over must be included, with certain exclusions. The 80% income limits are included in the table below:

HH Size	1-Person	2-Person	3-Person	4-Person	5-Person	6-Person
80%AMI Income Limit	\$54,750	\$62,550	\$70,350	\$78,150	\$84,450	\$90,700

2017 HUD Income Limits

For the purposes of determining eligibility based on income, household income will be calculated in accordance with 24 CFR 5.609.

### **C. Asset Limits**

There is a maximum asset limitation of \$75,000 (**post**-purchase) for participation in the Program. In order to be eligible to receive a grant through the Program, household liquid financial assets must not exceed \$75,000. Liquid financial assets include: checking accounts; savings accounts; certificates of deposit; stocks and bonds; mutual funds and other investment accounts; whole life insurance; and cash on hand.

Excluded from this asset test are individual retirement plans (IRAs), employer sponsored retirement plans (401(k), 403(b), 457(b)); retirement plans for self-employed individuals and small business owners (SEP IRA, 401(k), etc.).

### **D. Debt-to-Income Ratio**

A full underwriting analysis will be completed as part of the eligibility determination to establish if the homeowner can achieve financial stability and sustainability after the purchase of the home. After inclusion of the receipt of financial assistance through the Program, borrowers must not exceed a 35% Housing-to-Income (HTI) Ratio and a 45% Total Debt-to-Income (DTI) Ratio. The HTI is the ratio of the applicant's complete monthly mortgage payment consisting of principal, interest, taxes, insurances and condominium/homeowner association fees ("PITI") to the applicant's total gross monthly income. The DTI includes all debt, including the PITI, student loans and consumer debt.

# City of Newton Downpayment / Closing Cost Assistance Program

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## GUIDELINES

### **E. Housing Counseling**

Households participating in the Program will be required to complete a pre- and post-purchase homebuyer education class from a counseling agency approved by the United States Department of Housing and Urban Development (HUD). HUD approved counseling agencies can be accessed at the following website:

<https://www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm>

Pre-purchase counseling must be completed prior to the execution of a Purchase and Sale Agreement for the unit. Post-purchase counseling must be completed within six-months of moving into the unit.

### **TERMS OF ASSISTANCE**

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The Downpayment/Closing Cost Assistance Program will provide grants not to exceed \$10,000, to low-and-moderate income households for the purchase of deed-restricted affordable housing units if applicants meet the prescribed programmatic guidelines. The grant is conditioned upon the execution and successful recording of the Declaration of Restrictive Covenants at the South Middlesex, MA, Registry of Deeds, and receipt of fully executed grant agreement and settlement statements.

### **UNIT ELIGIBILITY**

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Financial assistance through the Program is limited to the purchase of new or existing deed restricted, affordable housing units in Newton.

A Housing Quality Standards (HQS) inspection must be completed to ensure the property meets state and federal housing codes and safety standards.

### **APPLICATION PROCESS**

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If an applicant is chosen from the lottery to purchase the affordable housing unit, then they may submit the Downpayment/Closing Cost Assistance Program Application. The entire application process may take between 45 to 60 days to complete, prior to closing on the unit.

#### **A. Approval of Program Grant**

Once the Program Application is received with all requested documents, the Housing and Community Development Division will review the application and mail the client a letter to inform the applicant if their application has been approved. The applicant should immediately share this approval letter with the mortgage lender so that the grant funds can be calculated into the closing documentation.

# City of Newton Downpayment / Closing Cost Assistance Program

## GUIDELINES

The approval letter outlines any contingencies identified and must be signed by applicant. The signed approval will constitute the written agreement between the City of Newton and the applicant, thereby allowing Housing and Community and Development to proceed with the funding agreement and a check for the grant funds for the downpayment/closing cost assistance and any administrative costs associated with this project.

The applicant must allow at least (30) days from receipt of the approval letter when scheduling their closing. This timeframe allows for adequate time to process the necessary documents and release of funds.

### B. Closing & Release of the Grant

The City of Newton will provide the lender and closing attorney with detailed closing instructions once the applicant has agreed to the terms of the approval letter and the assistance amount. When the mortgage lender is ready to fund and close the loan, the following must be completed to receive downpayment/closing cost assistance:

- 1) The mortgage lender provided the City will a draft Closing Disclosure listing the Program grant prior to closing. The lender will provide a final executed Closing Disclosure after the closing listing the separate amounts applied to Downpayment and to the Closing Costs.
- 2) The applicant executes a funding agreement for the grant.
- 3) Grant funds will be issued to the closing attorney. A W-9 of the closing attorney must be provided to the City 1-2 weeks prior to closing to establish them as a valid payee in the City's payment system. A 1099 will not be issued to the attorney for this check.
- 4) The City of Newton will arrange for the check to be available for the closing.
- 5) The buyer cannot be reimbursed for prior expenses or receive any excess funds with the grant funds.

### APPLICATION PROCESS

All households that are selected to purchase an affordable deed-restricted unit and apply to receive Downpayment/Closing Cost Assistance, must submit the "City of Newton Downpayment/Closing Cost Assistance Application." All applicants must also submit the required documentation detailed below. Households who fail to provide **all of the required documentation** will not be reviewed for eligibility for the Program. Please note you do not need to provide documentation that is not applicable to your household. For example, a household that does not have a household member who is self-employed, does not need to provide documentation of self-employment income.

1. **Complete application** signed by all individuals over the age of 18;
2. **Copy of paystubs for five most recent pay periods** for all individuals over the age of 18; if you are paid weekly, this will include the past five weeks; if you are paid biweekly, this will include the past ten weeks; if you are paid monthly, this will include the past five months;

## **City of Newton Downpayment / Closing Cost Assistance Program**

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### **GUIDELINES**

3. **Documentation of self-employment and business income**, including most recent quarterly tax filings and tax returns for the three most recent years filed;
4. **Current statements or other documentation for all other sources of income** that show payment amounts received for all household members listed on the application. Other income sources include: alimony, child support, Social Security benefits, income received from pensions, unemployment compensation, workman's compensation, disability or death benefits and any other form of income. Please see **Attachment A** for more detail about what is included as income;
5. **Copy of 2017, 2016 and 2015 federal and state tax returns, as filed, with W-2s, 1099** and all schedules for every current or future person living in the household over the age of 18;
6. **Three most recent statements** for all asset accounts showing account balance/value, dividends/interest earned, and a record of all transactions for the statement period for all individuals over the age of 18;
7. **No Income Statement, signed and notarized**, for any household member over 18 with no source of income, if applicable;
8. **No Child Support Statement, signed and notarized**, if applicable, containing the language "Under penalties of Perjury," if applicable;
9. **Signed Purchase and Sale Agreement;**
10. **Certificate of Completion of First Time Homebuyer Course;**
11. **Lender Commitment Letter;** applicants must obtain primary fixed interest rate mortgage financing;
12. **Mortgage Loan Application;**
13. **Credit Report;**
14. **Loan Estimate from Lender;**
15. **Draft Closing Disclosure**

#### **FAIR HOUSING**

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It is the policy of the City of Newton that each person shall have equal access to and equal opportunity in housing, regardless of race, color, religion, national origin, disability, age, sexual



## **City of Newton Downpayment / Closing Cost Assistance Program**

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### **GUIDELINES**

orientation, gender identity or expression, marital status, familial status (families with children under 18), public assistance (including rental vouchers), genetic information, or military status.

Applicants requiring a reasonable accommodation to access the Program should contact the city of Newton's ADA/Sec. 504 Coordinator, Jini Fairley, at [jfairley@newtonma.gov](mailto:jfairley@newtonma.gov) or (617) 796-1253. The City's TTY/TDD direct line is: 617-796-1089. For the Telecommunications Relay Service (TRS), please dial 711.

# City of Newton Downpayment / Closing Cost Assistance Program

## GUIDELINES

### ATTACHMENT A: DETERMINING INCOME ELIGIBILITY

In order to be eligible for Program assistance, beneficiaries must meet income limits established by HUD (See Attachment B: Income Limits). Under the Program, annual income is defined in 24 CFR 5.609 which is used by a variety of federally-assisted programs. The Part 5 definition of annual income is the gross amount of income of all adult household members (over 18) that is anticipated to be received during the coming 12-month period. The table below details what is included and what is excluded in determining a household's income.

#### Calculating annual income: Inclusions and exclusions

Sources of income 24 CFR 5.609 (b)	Sources of income that are included in calculating household income
<b>1. Income from wages, salaries, tips, etc.</b>	The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services. Overtime earnings must be based upon the average of the year to date and projected over the next 12 months.
<b>2. Business income</b>	The net income from the operation of a business or profession. Expenditures for business expansion or amortization of capital indebtedness shall not be used as deductions in determining net income
<b>3. Interest and dividend income</b>	Interest, dividends, and other net income of any kind from real or personal property. If assets in excess of \$5,000, annual income shall include the greater of the actual income derived from all net family assets or a % of the value of such assets based on the current passbook savings rate, as determined by HUD.
<b>4. Retirement and insurance income</b>	The full amount of periodic amounts received from SS, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts, including a lump-sum amount or prospective monthly amounts for the delayed start of a periodic amount.
<b>5. Unemployment and disability income</b>	Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation, and severance pay (except as provided in number 3 of Income Exclusions).
<b>6. Welfare assistance</b>	If the welfare assistance payment includes an amount specifically designated for shelter and utilities that is subject to adjustment by the welfare assistance agency in accordance with the actual cost of shelter and utilities, the amount of welfare assistance income to be included as income.
<b>7. Alimony, child, gift support,</b>	Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from organizations or from persons not residing in the dwelling.
<b>8. Armed Forces</b>	All regular pay, special day and allowances of a member of the Armed Forces.

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<b>Sources of income</b> 24 CFR 5.609 (c)	<b>Sources of income that are excluded from calculating household income</b> <i>(Partial list. Other exclusions include reparations; income from full-time students; adoption assistance payments; deferred periodic social security and SSI benefits; property tax refunds; home care assistance and other federal exclusions.)</i>
<b>Income of children</b>	Income from employment of children (including foster children) under the age of 18 years.
<b>Foster Care payments</b>	Payments received for the care of foster children or foster adults (usually persons with disabilities, unrelated to the tenant family, who are unable to live alone).
<b>Inheritance and insurance income</b>	Lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains and settlement for personal or property losses (except as provided in number 5 of Income Inclusions).
<b>Medical expense reimbursements</b>	Amounts received by the family that are specifically for, or in reimbursement of, the cost of medical expenses for any family member.
<b>Income live-in aides</b>	Income of a live-in aide (as defined in 24 CFR 5.403).
<b>Gifts</b>	Temporary, nonrecurring, or sporadic income (including gifts).

**Glossary**

**Asset:** a resource with economic value that an individual, corporation or country owns or controls with the expectation that it will provide future benefit.

**Closing:** Also known as settlement, the finalization of the process of purchasing or refinancing real estate. The closing includes the delivery of a Deed, the signing of Mortgage documents and the disbursement of funds.

**Closing Costs:** Costs that are paid at closing, in addition to the purchase price of the property. These costs normally include, but are not limited to, origination fees, discount points, attorney's fees, costs for title insurance, surveys, recording documents, and prepayment of real estate taxes and insurance premiums held by the lender. Sometimes the seller will help the borrower pay some of these costs.

**Closing Disclosure:** Five-page form that provides final details about the mortgage loan you have selected. It includes the loan terms, your projected monthly payments, and how much you will pay in fees and other costs to get your mortgage

**Closing Statement:** An accounting of the debits and credits incurred at closing. All FHA, VA and Conventional financing loans use a Uniform Closing or Settlement Statement commonly referred to as the HUD-1.

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**Credit Report:** A document completed by a credit-reporting agency providing information about the buyer's credit cards, previous mortgage history, bank loans and public records dealing with financial matters.

**Debt to Income Ratio:** Compares the amount of monthly income to the amount the borrower will owe each month in house payment (PITI) plus other debts. The other debts may include but are not limited to car payments, credit cards, alimony, child support, and personal loans. This ratio is commonly used to see if the borrower has the capacity to repay the debt.

**Down Payment:** The part of the purchase price which the buyer pays in cash and does not finance with a mortgage.

**Fair Housing Act:** Prohibits the denial or variance of the terms of real estate related transactions based on race, color, religion, sex, national origin, disability, or familial status of the credit applicant. Real estate related transactions include a mortgage, home improvement, or other loans secured by a dwelling.

**Financial Statement:** A summary of facts showing an individual's or company's financial condition. For individuals, it states their assets and liabilities as of a given date. For a company it should include a Profit and Loss Statement (P&L) for a certain period of time and a balance sheet, stating assets and liabilities as of a given date.

**Fixed Rate Mortgage:** The type of loan where the interest rate will not change for the entire term of the loan.

**Gross Income:** A person's income before deduction for income taxation.

**Housing Expense Ratio:** Ratio used to determine the borrower's capacity to repay a home loan. The ratio compares monthly income to the house payment (Principal, Interest, Taxes and Insurance).

**Loan-to-Value (LTV):** The ratio of the total amount borrowed on a mortgage against a property, compared to the appraised value of the property. A LTV ratio of 90 means that the borrower is borrowing 90% of the value of the property and paying 10% as a down payment. For purchases, the value of the property is the lesser of the purchase price or the appraised value. For refinances the value is determined by an appraisal.

**Loan-to-Value Ratio:** The ratio, expressed as a percentage, of the amount of the loan (numerator) to the value or selling price of real property (denominator). For example, if you have an \$80,000 1st mortgage on a home with an appraised value of \$100,000, the LTV is 80% ( $\$80,000 / \$100,000 = 80\%$ ).

**Median Income:** The middle-income level. Half of the incomes would be higher than the median income and half of the incomes would be below the median income. This is not to be confused with an average income.  
**Mortgage:** The written instrument used to pledge a title to real estate as security for repayment of a Promissory Note.

**Owner-Occupied Property:** The borrower or a member of the immediate family lives in the property as a primary residence.

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**Purchase and Sale Agreement:** A written agreement between a buyer and seller of real property, which states the price and terms of the sale.

**Settlement Statement:** Also referred to as a HUD-1/ALTA Settlement Statement. The complete breakdown of costs involved in the real estate transaction for both the seller and buyer.

**Underwriting (Mortgage Loans):** The process of evaluating a loan application to determine the risk involved for the lender. It involves an analysis of the borrower's creditworthiness and the quality of the property itself.