


City of Newton
Massachusetts

MEMORANDUM

To: Community Preservation Committee

From: Steve Gartrell, Associate Director for Housing & CD 

Re: Lessons Learned - Municipal Employee Homebuyer Assistance Program (MEHAP)

Date: July 16, 2003

Background

As you are aware, we had only one eligible applicant for the Municipal Employee Homebuyer Assistance Program (MEHAP) unit at the Highlands Glen Condominiums on Christina St. That applicant's offer to the CAN-DO was rejected for being nearly \$100,000 under the asking price of \$305,000. His offer was based on the conventional mortgage amount he was approved for.

One other applicant went through the application process and was determined to be eligible but dropped out at the last minute because the "price was too high" and "the quality was not there."

Finally, one person started the application process, but determined that she was eligible for the first time homebuyer unit offered by CAN-DO and applied to that City's FTHB program instead. She asked if she could combine the MEHAP funding with the FTHB funding to purchase one of the MEHAP units, but that was not possible because the FTHB is funded through HOME Program. The HOME Program's property value upper limit was well below the asking price of the MEHAP unit, \$430,000.

Interest in the Program

I believe there is interest in the MEHAP program since more than 100 application packets were picked up and we received many phone calls.

Obstacles to Participation

Although we have not, yet, done a formal survey, I can give an anecdotal report based on the comments we received:

- **Price** – most of the comments concerned the asking price of the unit (effectively \$305,000, based on the appraisal of \$430,000 minus the \$125,000 CPA write-down). According to most, the price was too high.
- **Timeline** – It's a complex program and some people commented that they, and their banks, needed more time to put together a financing package.
- **Workmanship** – Several people commented on the fact that the workmanship was poor (probably because the house tours were done prior to completion of the units).
- **Household Size** – We had a number of calls from people, in households smaller than 3, who would have applied, given the opportunity.

Proposals

Option 1 – Revised Highlands Glen Proposal

It is my understanding that Josephine McNeil, of CAN-DO, will be asking that the current CPA funding approval be changed to allow a deeper subsidy of at least one unit at the Highlands Glen Condominiums (Christina St.) for a MEHAP eligible household(s).

Option 2 - Non Site-Specific MEHAP Proposal

With the next CPA application cycle, we will be requesting that a new non site-specific MEHAP be funded similar to our First Time Homebuyer Program. In this case, an applicant would find their own property and funding would be provided on a first-come, first-served basis to applicants who have a property and their primary conventional mortgage funding commitment in place (for the balance after subsidy).

We believe that a successful program could be run with the current MEHAP guidelines (with a minor change) but at a \$90,000 subsidy level (the same as our FTHB program). As indicated above, we believe there is sufficient interest in the program if the obstacles above are addressed.

- **Price** – There are currently units available on the market between about \$275,000 and \$340,000 that with a \$90,000 write-down, would make the cost to the buyer between \$185,000 and \$250,000. We believe this would be much more attractive to potential buyers. In 2002, there were 144 units sold in this price range in Newton: 49 were single family homes and 95 were condos.
- **Timeline** – This would now be controlled by the applicant working with the seller and the bank. We would not impose requirements other than that the applicant would have to close within a reasonable time of getting a commitment from us (say 3 months).
- **Workmanship** – This should not be an issue because the applicant would select the unit.
- **Household Size** – Most homebuyer programs do not restrict the size of a household for a particular sized unit. We would recommend that that be the case in this program.
- **Other Proposed Change** –
 - The subsidy would be \$90,000 or 30% of the sale price, whichever is less.

As previously mentioned, we will be requesting in the next CPA application cycle that \$272,700.00 be allocated for 3 assistance loans (including 10% for staffing costs) for a pilot non-site specific MEHAP program. If this program should prove successful, we would anticipate requesting ongoing funds for MEHAP in the future.

Cc: Ald. Brooke Lipsitt
Ald. Amy Mah-Sangiolo
Mike Kruse
Jennifer Goldson