

# NEWTON HOMEBUYER ASSISTANCE PROGRAM



Request for Funds from the  
Community Preservation Committee  
April 9, 2015



# NEWTON HOMEBUYER PROPOSAL



- **FUNDING REQUEST**

- \$1,057,000 additional program funding
- Current balance : \$533,000
- Last capitalized 2013
- Total with current request would be \$1,590,000

- **PROGRAM CHANGES**

- **Increase maximum subsidies**
  - Two-bedroom unit \$250,000
  - Three-bedroom unit \$275,000
- **Allow subsidy escalation up to 15%**

# VOLATILE HOUSING MARKET



## Number of 2-bedroom units\*

	< \$400,000	< \$425,000	< \$450,000	< \$ 500,000
Actual 2014	30	47	54	71
Projected 15% market change 2014 to 2015	12	19	26	49

## Number of 3-bedroom units\*

	< \$400,000	< \$425,000	< \$450,000	< \$ 500,000
Actual 2014	6	9	14	19
Projected 15% market change 2014 to 2015	5	6	6	10

\* Number of units at higher prices also includes units at all lower prices.

# SUBSIDY CALCULATION

(three-person household)



Purchase Price Limits using DHCD Assumptions	
<b>Housing Cost:</b>	
Sales Price	\$400,000
Cost Buydown Assistance	\$250,000.00
Sale Price to Buyer	\$150,000
Down Payment Percent	5%
5% Down payment	\$7,500
Mortgage	\$142,500
Interest rate	4.57%
Amortization	30
Monthly P&I Payments	\$727.97
Tax Rate	\$11.61
monthly property tax	\$145
Hazard insurance	\$133
PMI	\$93
Condo/HOA fees (if applicable)	\$250
Monthly Housing Cost	\$1,349
Necessary Income:	\$53,962
<b>Household Income:</b>	
# of Bedrooms	2
Sample Household size	3
80% AMI/"Low-Income" Limit	\$62,750
Target Housing Cost (80%AMI)	\$1,569
10% Window	\$54,906
Target Housing Cost (70%AMI)	\$1,373

Notes

Assuming mortgage covers 95% of purchase price  
Freddie Mac Avg. NE Rate as of 3/9/15 +.25%

2015 City of Newton Residential Property Tax Rate  
based on deed restricted price (not market value)  
based on DHCD assumptions

Estimate

2015 Boston/Cambridge/Quincy PSA 80% AMI Limit

29%

# SUBSIDY CALCULATION

(four-person household)



Purchase Price Limits using DHCD Assumptions	
<b>Housing Cost:</b>	
Sales Price	\$450,000
Cost Buydown Assistance	\$275,000.00
Sale Price to Buyer	\$175,000
Down Payment Percent	5%
5% Down payment	\$8,750
Mortgage	\$166,250
Interest rate	4.57%
Amortization	30
Monthly P&I Payments	\$849.29
Tax Rate	\$11.61
monthly property tax	\$169
Hazard insurance	\$150
PMI	\$108
Condo/HOA fees (if applicable)	\$250
Monthly Housing Cost	\$1,527
Necessary Income:	\$61,067
<b>Household Income:</b>	
# of Bedrooms	3
Sample Household size	4
80% AMI/"Low-Income" Limit	\$69,700
Target Housing Cost (80%AMI)	\$1,743
10% Window	\$60,988
Target Housing Cost (70%AMI)	\$1,525

Notes

Assuming mortgage covers 95% of purchase price  
Freddie Mac Avg. NE Rate as of 3/9/15 +.25%

2015 City of Newton Residential Property Tax Rate  
based on deed restricted price (not market value)  
based on DHCD assumptions

Estimate

2015 Boston/Cambridge/Quincy PSA 80% AMI Limit  
26.28%

30%

# PROPOSED USE OF FUNDS



Homebuyer Assistance (3 three-bedroom units at max. \$275,000)	\$825,000
Homebuyer Assistance (3 two-bedroom units at max. \$250,00)	\$750,000
Administration	\$15,000
<b>TOTAL</b>	<b>\$1,590,000</b>

Staff projects that six households can be assisted over a two-year period at a rate of three per year.

# GENERAL FACTS



- Program is 14 years old
  - CPA funded since 2003
- 36 households assisted over the life of the program
- Email notification list between 750-1100 people
- Funding assistance “buys” affordable housing deed restriction
- Lottery among income-eligible applicants determines program participants