

Homeownership – Empowering New Buyers MassHousing’s Buy Cities Program

The Need

Like the rest of the country, Massachusetts has witnessed a dramatic increase in the number of home foreclosures – the aftermath of which has been felt not only by struggling homeowners trying to save their homes and displaced families who live as tenants in those homes, but also by entire neighborhoods and local economies. Boarded up homes, empty store-fronts and increased crime plague many communities in the Commonwealth and sit as a grim reminder of the troubled times.

As this situation evolved, it was clear that a comprehensive plan was needed to give distressed homeowners and communities both immediate and long-term relief. In October 2007 Massachusetts Governor Deval Patrick, state and local officials, non-profit leaders, mortgage lenders and homeowners, unveiled a foreclosure prevention plan designed to keep people in their homes and to stabilize neighborhoods across the Commonwealth. The program aids struggling homeowners trying to save their homes or help find alternatives to homeownership. Lenders and non-profits work to reclaim pre-foreclosure and foreclosed properties to be sold to qualifying first time homebuyers. The plan consists of a targeted neighborhood stabilization pilot program in six of the most severely impacted cities in the state and includes transition resources from lenders and servicers, consumer outreach and education, lending best practices and coordination to increase utilization of MassHousing's loan refinancing program. The six targeted communities are: Boston, Brockton, Lawrence, New Bedford, Springfield and Worcester. These are all dense urban communities in Massachusetts, with high concentrations of foreclosures.

MassHousing’s Plan

MassHousing’s “Buy Cities” program takes Governor Patrick’s targeted plan and adds additional layers of value for all the parties involved.

Building on the Governor’s concept, MassHousing’s Home Ownership Business Development Team has created a new approach that brings together a number of resources in some of the Massachusetts communities targeted by the Governor. The Business Development team is comprised of seven staff people who are on the road every day, meeting with partner lenders, educating them about MassHousing’s products and urging them to make more MassHousing loans. They work tirelessly to boost MassHousing’s solid reputation as a good business partner – and their efforts have resulted in many new and productive business relationships.

The “Buy Cities” program is the foundation upon which the Business Development Team builds by using the established networks of team members to bring lenders together with municipal government, Realtors, non-profits, employers, and retail businesses that encourage and support homeownership in the targeted communities. The idea of “Buy Cities” is to leverage the willingness of each project partner to make a contribution to the joint effort for this program where the value of the whole is greater than the sum of its individual parts. The sharing of knowledge, resources and investment in a consolidated effort benefits each partner and in turn creates a resource with added value in the economic stabilization of each community. Neighborhood stabilization – and ultimately revitalization – is an outcome from which all parties benefit. This is the common goal that creates the motivation for “buy-in” from all of the parties. With this in mind, MassHousing staff first launched the idea in a series of meetings with potential partners in each of the targeted communities.

Buy Cities

The first city was Brockton, Massachusetts where the initial working group consisted of six MassHousing lenders who agreed, as a group, to offer MassHousing mortgage products at interest rates 0.50% below MassHousing's published interest rates. This requires each participating lender to sacrifice a significant portion of the fees they would normally earn originating a MassHousing loan. In turn, MassHousing is able to provide 100% LTV financing. Obviously, as significant an accomplishment as this was at the program's inception – its value has continued to grow as there are virtually no 100% LTV financing options available at this time for working families. Through MassHousing's partnership with Fannie Mae and using insurance from the Agency's own Mortgage Insurance Fund, MassHousing also offers reduced insurance coverage levels and insurance premium rates. The program is available on properties that were REO, are in foreclosure or are being sold as the result of a distressed short sale.

The program is promoted through participating Realtors who not only identify eligible properties but also link available financing to the property as part of their marketing. The Mayor of Brockton, James Harrington, became a sponsor of the program and announced it with a formal press event. With this, MassHousing's first "Buy Cities" program – in this case "Buy Brockton" was launched.

The idea was then taken to Worcester, where the City Manager, Michael O'Brien, decided to take it to the next level. Mr. O'Brien, energized by the concept of this program, worked actively to recruit lenders, Realtors, employers, non-profit organizations and local businesses to participate in the next iteration of the program, "Buy Worcester Now".

Through "Buy Worcester Now" the program is expanded to all homes for sale in Worcester, and lenders again offer MassHousing programs under expanded criteria with reduced interest rates. Realtors integrate the program into both their advertising and marketing. Employers (which include the seven local universities, a local hospital and a major insurance company) partner by offering employer downpayment and closing cost assistance to facilitate their employees' purchase of homes in the City of Worcester. Non-profit organizations have also come together to compile an active database of all federal, state and local downpayment and closing cost assistance programs. They actively promote the program through their homebuyer education programs while Realtors and lenders promoted homebuyer attendance in pre-purchase homebuyer counseling courses. Retail businesses now participate by providing free products and services and discounts on purchases to new homebuyers. "Buy Worcester Now" homebuyer packages include free newspaper subscriptions, free cable TV and internet, discounts on furniture, appliances and home improvement purchases. The program is supported by a financial contribution by the city to a program launch advertising campaign and a website www.buyworcesternow.com.

Next, MassHousing took the program to New Bedford where the various partners that were identified in the Worcester model were brought together. The enthusiastic support of community leadership resulted in the creation of "Buy New Bedford" a clone of the "Buy Brockton" program with a number of the same elements of the "Buy Worcester Now" program.

From there, MassHousing moved west to Springfield, where Mayor Domenic Sarno wanted not just to replicate what was already being done in other cities, but to add the city's own touch as well. Again the core feature is 100% financing provided by MassHousing and the MassHousing Mortgage Insurance Fund and again, local lenders offer discounted interest rates. Realtors are also more

actively engaged in advertising and marketing. Non-profits provide homebuyer education, a central database of downpayment and closing cost assistance, as well as assistance through purchase rehab financing using a combination of MassHousing's own purchase rehab program and Neighborhood Stabilization Program funding.

Two major employers in Springfield, BayState Healthcare and Mass Mutual Insurance, provide up to \$15,000 in employer downpayment and closing cost assistance as part of this effort. The program was announced at a major media event held at the Basketball Hall of Fame and attended by over 100 program participants, as well as local television radio and print media outlets. Buoyed by support from the City and its own program website www.buyspringfield.com, the launch of "Buy Springfield" was a resounding success. This past year the National Association of Realtors recognized the "Buy Cities" program in Springfield by naming the city a 2010 Ambassador City for "Buy Springfield, Now".

Not to be outdone by the larger cities in Massachusetts, the smaller cities of Taunton and Gardner both contacted MassHousing for help and assistance in developing their own "Buy Taunton" and "Buy Greater Gardner" programs which are both now up and operating as well. MassHousing's "Buy Cities" efforts now have programs up and running in eight communities. Each of those cities experienced an increase in real estate sales greater than the average growth in sales experienced by the state in general during the past year.

Each and every one of the cities who has committed to a "Buy City" program is still growing strong. A number of cities have expanded their programs and have begun investing additional time and money into the program to further its success. Each city sees the program as a vital resource in economically stimulating its real estate market and stabilizing their core neighborhoods.

Conclusion

Collectively, the "Buy Cities" program is encouraging reinvestment in some of the communities hardest hit by the foreclosure crisis. All of these programs – throughout the state – have been developed with the leadership and consultative resources of MassHousing and anchored by MassHousing's mortgage lending and mortgage insurance programs. MassHousing's efforts are helping to secure the financial viability of individuals and families, preventing the decline of neighborhoods and strengthening local economies. At the same time, the programs have galvanized the economic resources in each community and focused their collective strength on encouraging safe, affordable homeownership. Immediately following the launch in each community there was a documented reduction in the rate of foreclosures, an increase in the number of home sales and an increase in MassHousing business volume in these cities ranging from 20% to 50% for the three month period following the program launch compared to the three month period immediately prior to the program. The program has now also received national recognition with an award for one of its participating cities, Springfield, Massachusetts, from the National Association of Realtors.

"Buy Cities" is a unique and innovative way to reduce the number of foreclosed homes in communities severely impacted by the mortgage crisis while at the same allowing qualified homebuyers to achieve the American dream of owning a home. It is a terrific example of what can be accomplished when state and local government, business and lending institutions and concerned citizens work together for a common cause. MassHousing's "Buy Cities" program is successfully working to keep Massachusetts residents in their homes and neighborhoods healthy and vibrant.