

NCSHA 2015 Annual Awards Entry Form

(Complete one form for each entry)

Deadline: Wednesday, June 10, 2015

Visit ncsha.org/awards to view the Annual Awards Call for Entries.

Instructions: Type entry information into the form and save it as a PDF. Do not write on or scan the form. If you have any questions contact Matt Cunningham at mcunningham@ncsha.org or 202-624-5424.

Fill out the entry name *exactly* as you want it listed in the program.

Entry Name: _____

HFA: _____

Submission Contact: (Must be HFA Staff Member) _____ **Email:** _____

Please provide a 15-word (maximum) description of your nomination to appear on the NCSHA website.

Use this header on the upper right corner of each page:

HFA: _____

Entry Name: _____

Select the appropriate subcategory of your entry and indicate if you are providing visual aids.

Communications	Homeownership	Legislative Advocacy	Management Innovation
Annual Report	Empowering New Buyers	Federal Advocacy	Financial
Creative Media	Encouraging New Production	State Advocacy	Human Resources
Promotional Materials and Newsletters	Home Improvement and Rehabilitation		Operations
			Technology
Rental Housing	Special Needs Housing	Special Achievement	Are you providing visual aids?
Encouraging New Production	Combating Homelessness	Special Achievement	Yes
Multifamily Management	Housing for Persons with Special Needs		No
Preservation and Rehabilitation			

MassHousing
Homeownership – Home Improvement and Rehabilitation
Purchase and Rehabilitation Program

Background

One of the most challenging issues facing at-risk neighborhoods in urban markets is the condition of the existing housing inventory. Most of the housing stock in the older cities of Massachusetts was constructed in the early part of the 1900's. While some homes have been maintained, many have been neglected and have fallen into serious disrepair. It becomes a challenge to resell such properties, as standard property requirements for most loans today do not allow for significant deferred maintenance. In many cases, it is difficult, if not impossible, for homebuyers to afford both the down payment and the cost of repairs for such properties. These neglected properties can ultimately fall prey to investors who maintain the properties in their disrepair and rent them to low-income families as so-called slum landlords.

Program Design

The MassHousing Purchase and Rehabilitation Program is the only formal mortgage program that provides funds for both the acquisition and repair of neglected properties suffering from deferred maintenance.

Through this program, MassHousing finances 97% of the purchase price plus 97% of the cost of rehabilitation (not to exceed 97% of the projected value of the property after completion of the rehab). The Agency then advances 100% of the loan proceeds at closing. 97% of the purchase price is used to fund the acquisition of the property. 97% of the rehabilitation costs are placed in escrow by the originating lender. The rehabilitation work is supervised by a qualified bank loan officer or rehabilitation specialists who work for a non-profit entity approved to provide property inspection and construction supervision services. Rehabilitation funds are advanced according to a predetermined schedule which is structured in order to have the work completed and all funds fully advanced within six months of the original closing. There is one loan and one loan closing. Monthly payments are required during the rehabilitation period but can come from the rehabilitation funds if the rehabilitation work is proceeding on schedule.

The result is fully restored inner city housing that is owner occupied. With two and three family properties, there is an additional benefit from the creation of two safe and affordable rental units of housing. As an added benefit, it has also been MassHousing's experience that such property improvement encourages occupants of adjoining homes to make improvements in their homes as well. In this way, MassHousing's Purchase and Rehabilitation Loan Program serves as a small catalyst for neighborhood stabilization.

Structuring these loans so that the Agency is able to maximize its effectiveness is important. MassHousing has designed this program so that the bonds are held in the Agency's Working Capital Fund until the property rehabilitation has been completed. They are then aggregated

and funded from bond proceeds. The Agency is now working with Fannie Mae to secure approval of MassHousing's Purchase and Rehabilitation mortgages for inclusion in Fannie Mae's "Home Style" home loan program.

There are a number of important state housing needs that MassHousing's Purchase and Rehabilitation program addresses. Specifically, this program:

- rehabilitates distressed properties in the inner city, reducing the decline in property values in these neighborhoods;
- is also designed to address lead paint abatement, and septic system repairs, where state laws and building codes mandate repairs before occupancy permits can be issued in addition to traditional property improvement;
- fosters the creation of owner-occupied housing in at risk neighborhoods. This, in turn, creates pride in the neighborhood which then helps to check crime such as vandalism, breaking and entering and robbing of abandoned properties;
- increases the inventory of safe, affordable and sustainable owner occupied homes and rental housing.

MassHousing's loans for this program are concentrated in Massachusetts "Gateway Cities." These are cities that are legislatively defined by populations with incomes below the state median, and education levels below the state average. Because loans are concentrated in these communities, there are generally more minority and low-income borrowers. The result is a program that supports both underserved neighborhoods and borrowers, both of which are MassHousing's targets.

Outcomes

Over the last five years, MassHousing's Purchase and Rehabilitation Program has provided \$50 million in financing for close to 300 loans. While not a large number, the ability to provide an average of \$10 million a year to address these critical property-focused needs has a quiet, long-term success.

Importantly, this program is totally self-sufficient and requires no special program subsidies. It accomplishes this by applying existing resources in a creative way and enlisting support from community conscious non-profits and lenders who work together to promote the stabilization and restoration of these targeted cities and neighborhoods.

The success of the Purchase and Rehabilitation Program depends on the cooperation of: local municipalities (this includes support from building departments and inspection services officials); non-profits (homebuyer counselors and rehabilitation specialists), and; community banks (with an ability and willingness to devote construction lending resources to administer the project). One of the great successes is that MassHousing's program has brought these groups together to create an effective program.

Sometimes, a program's success is measured by its simplicity, its sustainability and its clearly defined purpose. MassHousing's Purchase and Rehabilitation Program reaches into critically important areas of Massachusetts and is slowly but surely helping to rehabilitate and restore and re-energize homes, neighborhoods and the people who live there.



PURCHASE AND REHABILITATION PROGRAM

If you are a first-time homebuyer and looking to purchase a home in need of major repair, MassHousing's Purchase and Rehabilitation loan might be just the program for you. Mortgages covering the purchase price of the home plus necessary rehabilitation costs are available through MassHousing-approved Rehabilitation Lenders.

- Available on one-to-four family properties.
- The Purchase and Rehabilitation option carries the same interest rate and point structure as a MassHousing Mortgage.
- Maximum loan amount may not exceed 97% of the lesser of the sales price plus rehabilitation cost or the estimated appraised value after rehabilitation.
- Minimum rehabilitation amount is \$7,500 for all property types.

- Rehabilitation costs include the amount required to pay for the repairs, as well as other allowable expenses:
 - Inspection fees
 - Title update fees
 - Required contingency reserve equal to 10% of the total rehabilitation cost.
- The lender or Local Rehabilitation Agency (LRA) may charge a fee of up to \$1,500 based on the cost of the rehabilitation.
- Borrowers may utilize the services of a MassHousing accepted LRA.
- Licensed contractors must complete all rehabilitation work.
- At the time of the loan closing, the borrower will be responsible for the full mortgage payment on the total principal amount.

March 2015

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