

New Hopes and Homes for New Generations

MaineHousing

Homeownership: Empowering New Buyers

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NEW HOPES AND HOMES FOR NEW GENERATIONS

“Young adults whose parents did not have access to homeownership are less likely to become homeowners themselves. A third of first-time homebuyers receive assistance from family or friends for a down payment, but this assistance is less likely when a borrower’s parents don’t own. The median renting family has only \$10,400 in wealth, while the median homeownership family has 38 times that (\$396,200).” Urban Wire, November 17, 2023.

A Dearth of Homes and Consequent Affordability Crunch: An Important State Housing Need

Maine’s housing needs and market challenges are unique. Aging stock, historic underproduction, and a high percentage of seasonal homes have constrained the supply of housing. Simultaneously, increasing in-migration of higher-wage earners from other states and a surge in housing demand to accommodate new workers as the state’s retirement numbers rise have conspired to make homebuying in Maine extremely competitive. As is common nationwide, Maine faces a housing equity gap along racial and socio-economic lines, and the aggressive bidding processes that result from this crunch threaten to exacerbate these inequities.

A 2023 multi-agency initiative generated a state-wide housing needs production study wherein the research consultancy noted that “[due to the] significant divergence between the income needed to purchase a home in Maine and the actual median income of Mainers; households now need to make over \$100,000 annually to afford the median home price. As a result, buying a home in Maine now is not affordable for the majority of Mainers.” HR&A Advisors (2023).

A Unique Landscape Requires an Innovative Approach

MaineHousing’s First Generation (“First Gen”) pilot program launched in April 2023. The program provides the opportunity for affordable homeownership and wealth building to those who have historically been unable to achieve or experience the benefits of owning their own home. The First Gen program is for first time homebuyers whose biological parents or legal guardians never owned a home during the borrower’s lifetime or the borrower was in foster care at some point during their childhood. Key components of the program are a deeply discounted fixed interest rate 100 basis points below that of our traditional First Home Program, a \$10,000 grant for down payment and closing cost assistance, and integrated educational supports focused on the skills needed to navigate the purchase process and to be a successful long-term homeowner.

To provide a 30-year fixed rate of 4.95%, MaineHousing issued a convertible option bond to leverage the inverted yield curve, and used the short-term investment earnings of over \$1.2 million to buy the rate down for this added First Gen benefit.

The program down payment and closing cost assistance was deliberately structured as a grant. While a much larger soft second mortgage could have been an option instead, MaineHousing chose not to subject a borrower to the accompanying drawbacks – including credit report effect on subsequent education or auto loan borrowing and potentially burdensome repayment upon the home’s sale. The more modest grant, paired with the 100bp lower interest rate, better serves the borrower. With the 11-year average on MaineHousing’s first time homebuyer mortgage life, the interest rate buy-down cost equals a third of a calculated 30-year cost, balancing borrower benefit with cost to MaineHousing.

Intractable Obstacles Call for Strategic Objectives

MaineHousing's goal with the First Gen program, to expand opportunities for groups who have traditionally been less likely to enjoy homeownership access, was centered around several impactful components: overcoming the initial hurdle of the substantial peripheral costs in purchasing, building core financial literacy readiness and a solid supportive foundation for sustainable ownership, and opening access that may have been hindered by traditional lending protocols regarding credit score, interest rate and income parameters.

Since one of the largest barriers to purchasing a home is accumulating the significant funds needed for down payment and closing costs, the First Gen grant of up to \$10,000 can make the life-changing investment of a mortgage on an owned-home as financially manageable as renting.

Similarly, the First Gen program's reduced interest rate is one full point below MaineHousing's already exceptionally competitive base rate, making affordability possible where it wouldn't be otherwise, particularly considering the generous program minimums of a 640 credit score and 1% borrower cash contribution. When combined with the program's reasonable income parameters and purchase price caps, the result is that most Maine homebuyers and homes are both eligible and are likely able to meet the long-term financial sustainability of ownership. The incorporation of MaineHOPE (HomeOwnership Protection for unEmployment) into each mortgage adds further assurance for these participants, who are so new to homeownership.

Equally important, for those who grew up without seeing homeownership modeled first-hand, education about the process can be a critical factor to success. The First Gen program's required participation in "hoMEworks" classes provides a foundation for participants to build knowledge, confidence, and preparedness. The curriculum stretches from house hunting through loan closing and then beyond to the skills of creating a household budget, establishing an emergency reserve fund, and managing home maintenance.

Effective Use of Partnerships and Resources Take Concepts to Accomplishments

In developing the First Gen program, MaineHousing leveraged existing connections and identified and engaged with new partners. A network of Community Action Agencies, participating lenders and realtors, and curriculum sponsors established around the financial and homebuying educational framework of MaineHousing's first homebuyer offerings, was expanded based on the needs of First Gen participants. One such example is Mano a Mano, a nonprofit organization supporting farmworkers and immigrants as they grow their roots in Maine, with whom MaineHousing has collaborated on numerous occasions, who was brought in to provide First Gen program presentations in Spanish.

Leveraging and tailoring existing resources, such as the educational component already implemented into MaineHousing's single-family lending products, further solidified the new First Gen platform. A financial literacy component was added as an important precursor to the standard homebuyer education coursework, as an additional building block for buyers with little to no experience in owned homes. Making most classes free, doing away with course completion "expiration dates," and making class schedules readily available by QR code on postcards distributed at information events lowered barriers and increased access and usability. Extending the support by having instructors and other partner members available to participants after course end, throughout the home buying process – attending a

lender appointment or home inspection with the buyer, for example, as a trusted counselor – is another program modification implemented.

Evaluating the Results: Measuring Benefits and Efficacy

Since First Gen’s inception as a pilot program, MaineHousing has tracked performance data for the essential task of evaluating program outcomes. Those metrics have been used to populate a public dashboard ([Homeownership Program Metrics \(mainehousing.org\)](https://mainehousing.org)), with the statistics tracking program loans issued and continued growth.

From launch in April 2023 through the end of that year, 74 First Gen loans were issued totaling \$18,513,897 – a loan amount average of \$250,188 for average home purchase price of \$264,992. Participant income averaged \$77,754 – well below the income level calculated as needed to afford the state’s median home price. In the absence of assistance more commonly available to buyers from owned-home families and traditional financing, participants noted how the First Gen program had a critical impact on their ability to purchase.

From January 1 to April 15, 2024, 44 First Gen transactions have closed – so, in the second year of the program, it has accomplished 59% of the initial loan totals within just three and a half months. This 2024 data show \$11,483,095 in total lending at an average of \$260,979 per household, for an average home purchase price of \$274,201. The average income for 2024 First Gen participants is \$86,786. MaineHousing is putting more First Gen buyers in homes, despite an increase in purchase prices.

A Formula That Lends Itself to Duplication

Knowing that breaking into homeownership has long been a daunting prospect, many housing authorities have first-time buyer programs; MaineHousing’s First Gen program was derived directly from its own such initiative. Other agencies can replicate the format by similarly making strategic adjustments to existing product lines. Variable considerations would be defining eligibility parameters based on underserved populations in their areas, determining the primary impediments to homeownership within this demographic, and identifying key partners to engage with and meet the specific needs therein.

Benefits Beyond the Figures ... and Beyond Today

Increasing access to homeownership has a greater impact than a loan or grant dollar figure. Owning a home can increase stability and empowerment for the buyer, as Shannon C., a First Gen buyer through MaineHousing, noted: “As a mother, one of my biggest goals is permanency [sic] and moving as infrequently as possible ... Now that I have accomplished the goal of housing security I can focus on my next big goal to start a business that improves the health of my community.” Even more profound and far-reaching can be the positive change to a child’s living situation when a family buys a home, and further, the wealth that investment means in the long run to help close the racial and socio-economic housing gap for generations to come.

REFERENCES:

- HR&A Advisors, *State of Maine Housing Production Needs Study*. https://mainehousing.org/docs/default-source/default-document-library/state-of-maine-housing-production-needs-study_full_final-v2.pdf
- Urban Wire/Mehrotra, A., Choi, J., & Ratcliffe, J. (November 17, 2023). First-Generation Homebuyers Face Significant Obstacles to Homeownership. To Help, Programs Can Define What “First-Generation” Means. Urban Institute, <https://www.urban.org/urban-wire/first-generation-homebuyers-face-significant-obstacles-homeownership-help-programs-can>

LINKS:

- Television news interview with MaineHousing First Gen borrower:
[16 receive \\$10K in down payment help through ‘First Gen’ program \(wmtw.com\)](https://www.wmtw.com/news/16-receive-10k-in-down-payment-help-through-first-gen-program)
- MaineHousing First Gen webpage:
[First Generation Program \(mainehousing.org\)](https://mainehousing.org/first-generation-program)

LIST OF APPENDICES FOLLOWING:

- Appendix A: First Generation Pilot Program Summary Sheet
- Appendix B: Borrower Testimonials
- Appendix C: Program Statistics
- Appendix D: First Gen Marketing Materials

APPENDIX A



First Generation Pilot Program

Program description: MaineHousing’s First Generation pilot program provides the opportunity for affordable homeownership to those whose families have historically not had the benefit of owning their own home. The program offers a below market fixed interest rate mortgage combined with a \$10,000 grant for down payment and closing cost assistance to help overcome one of the largest barriers to homeownership. An education component incorporated into the program provides valuable information about the entire home buying process, from house hunting through loan closing and further provides the first generation homebuyer with an introduction to the basic skills needed to become a successful long term home owner, such as creating a household budget, establishing an emergency reserve fund and understanding and planning home maintenance.

Interest Rate	Interest rate is reduced by 1% of MaineHousing’s regular First Home Loan base rate.				
First Time Homebuyer Requirement	All borrowers must be true First-time homebuyers having had NO previous ownership interest in a principal residence in any location at any time.				
Eligible Applicants	In addition to the First-Time Homebuyer requirement, at least one borrower must meet A or B below A. Borrower has never lived in a home owned by their biological parents or legal guardians during the borrower’s lifetime. B. At least one Borrower is an individual who was in foster care at some point during their childhood.				
Advantage	First Generation Borrowers will be eligible for a total of a \$10,000 grant credited at closing subject to completing a MaineHousing approved Financial Literacy class and a hoMEworks or MaineHousing approved homebuyer education (HBE) class. NOTE: Borrowers are required to take the Financial Literacy class before taking the hoMEworks approved HBE class.				
Income/Price Limits	Same as First Home Loan program				
Insurance/Guaranty	FHA, VA & RD Mobile Home Self-Insured (MHSI) Uninsured MaineHousing approved (Arch) Private Mortgage Insurance				
Required Borrower Contribution	Minimum Borrower Cash Contribution of 1% of the Loan amount is required.				
Education Requirements	Financial Literacy class approved by MaineHousing \$ 5,000 grant funds Homebuyer Education class approved by MaineHousing \$ 5,000 Advantage grant funds Total Grant funds: \$10,000 Total				
Mobile Home Self-Insured	First Generation borrowers will be eligible for the Mobile Home Self-Insured option at the current First Gen interest rate plus 1% add-on. <table border="1" data-bbox="495 1518 1114 1577"> <thead> <tr> <th>Program Option</th> <th>Rate Add-on</th> </tr> </thead> <tbody> <tr> <td>Mobile Home Self Insured</td> <td>1.00%</td> </tr> </tbody> </table>	Program Option	Rate Add-on	Mobile Home Self Insured	1.00%
Program Option	Rate Add-on				
Mobile Home Self Insured	1.00%				
Salute ME, MHRI, 2-Point	The Salute ME, Mobile Home Replacement Initiative (MHRI) and 2-point program options cannot be combined with the First Gen program.				

Maine State Housing Authority (“MaineHousing”) does not discriminate on the basis of race, color, religion, sex, sexual orientation, gender identity or expression, national origin, ancestry, physical or mental disability, age, familial status or receipt of public assistance in the admission or access to or treatment in its programs and activities. In employment, MaineHousing does not discriminate on the basis of race, color, religion, sex, sexual orientation, gender identity or expression, national origin, ancestry, age, physical or mental disability or genetic information. MaineHousing will provide appropriate communication auxiliary aids and services upon sufficient notice. MaineHousing will also provide this document in alternative formats upon sufficient notice. MaineHousing has designated the following person responsible for coordinating compliance with applicable federal and state nondiscrimination requirements and addressing grievances: Lauren Bustard, Maine State Housing Authority, 26 Edison Drive, Augusta, Maine 04330, Telephone Number 1-800-452-4668 (voice in state only), (207) 626-4600 (voice) or Maine Relay 711.



APPENDIX B

THE VOICE OF FIRST GENERATION BORROWERS

“This program has allowed me to have stability for the first time in my life. My mom and I moved so much that each year we were living in a new town, or area. I did not want to move again. I wanted something that was 100% mine, and I did not have to relocate because the landowner wanted more money. The security of owning has made me feel safe and able to sleep better. I am a single woman who did all of this on my own”. Tina D.

“I grew up in Maine with my family living on poverty wages. We were a state case and received many benefits. I always dreamed of homeownership. It was impossible to save with the cost of rent. I was living in my friend’s basement trying to save up to buy a home. This program saved me. This process was seamless.” Amanda A.

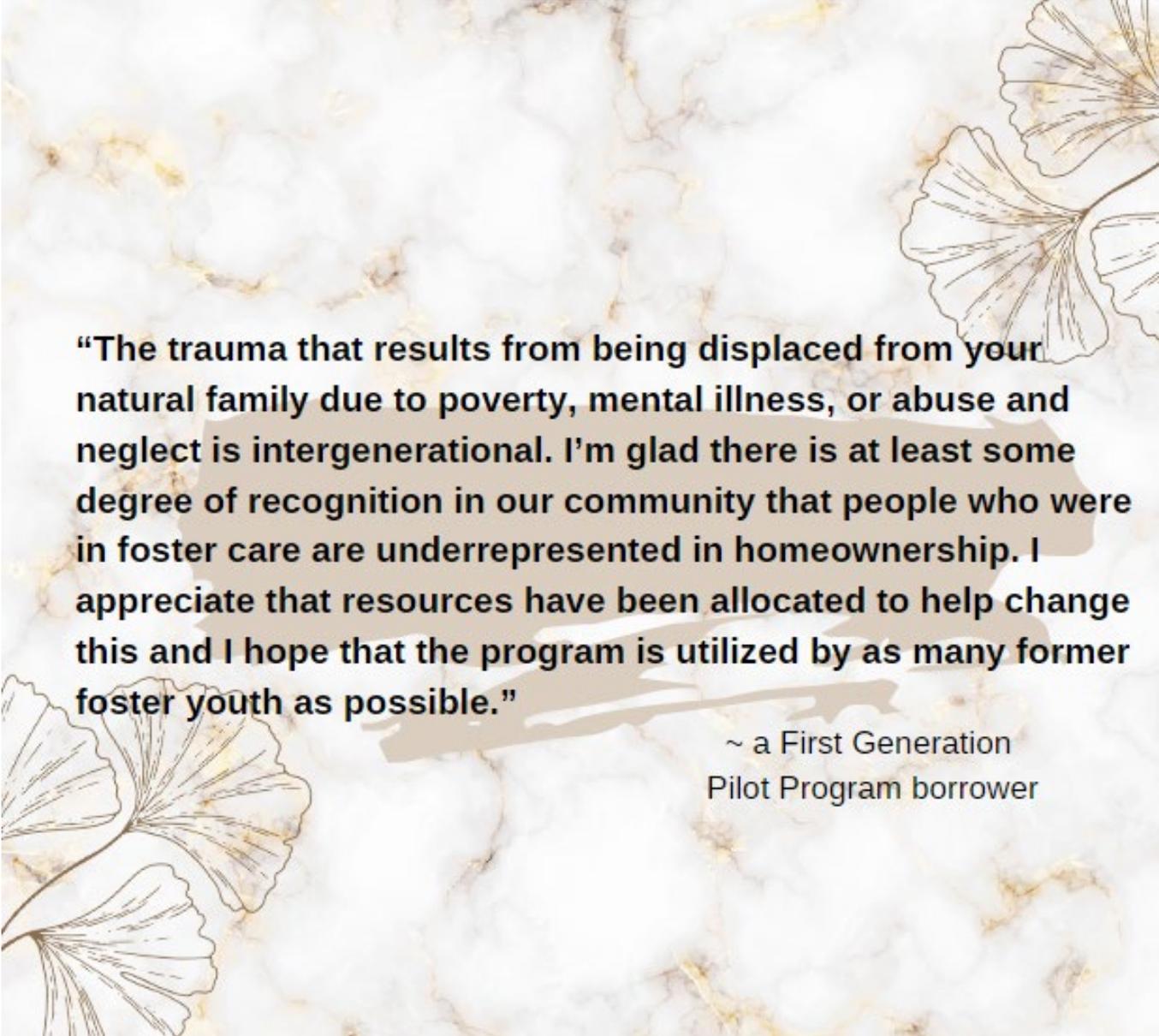
“Becoming a homeowner was an important goal of mine because I never felt that I was truly "at home" when living in someone else’s space. There was a sense of not wanting to personalize a space, or truly settle in because I knew I wouldn't be staying. There have been instances in my life where I faced housing insecurity. For example, during the time of my closing, the apartment building I lived in was sold. I was almost faced with needing to move out, rehome my well-behaved pets, or adjust to a rent increase as required by the new owners. As a mother, one of my biggest goals is permanency and moving as infrequently as possible. It is hard to accomplish this as a renter. As a homeowner I no longer worry about unexpectedly losing my housing. I also feel closer to reaching my goal of financial security as I can build equity in my home.” Shannon, C.

“Without the First Generation Program, I would not have been able to afford the downpayment and closing costs. Living alone and having to pay for all the bills on one income, made it hard to save much money. I was able to save a little money before rent prices skyrocketed, but not much after that point. This First Generation Program really made buying a home a reality. Without this program, it would have taken me much longer to find a place I was able to afford. I am so grateful that I had this opportunity.” Liam, H.

“My partner and I were homeless in a tent, then a car with a 6-year-old, 3 dogs, and a baby on the way and we thought it would be easier and faster than the apartment hunting game.” Mery S.

“The First Generation Homeowner grant was so helpful for me. I grew up living in an old, rented trailer in Litchfield; born, like many central Mainers, from a long line of impoverished people. Inequitable wealth distribution has been on my mind for a long time—especially as I got older and could see how intergenerational wealth affects one’s opportunities, such as purchasing a home. The fact that I was one of the first borrowers for this program speaks volumes for me, where I come from, and more importantly, what the State and programs like yours are aiming to accomplish. Thank you and to Maine Housing for helping me attain a permanent home, and all the benefits part and parcel: an intergenerational gift to share.” Nick, H.



The background of the slide is a light-colored marble with gold and brown veining. There are two stylized floral illustrations in a light brown/gold color. One is in the top right corner and another is in the bottom left corner. The text is centered in the middle of the slide.

“The trauma that results from being displaced from your natural family due to poverty, mental illness, or abuse and neglect is intergenerational. I’m glad there is at least some degree of recognition in our community that people who were in foster care are underrepresented in homeownership. I appreciate that resources have been allocated to help change this and I hope that the program is utilized by as many former foster youth as possible.”

~ a First Generation
Pilot Program borrower

APPENDIX C

April 2023-December 2023

Homeownership Department					
Program Statistics: First Generation Pilot					
Loans Purchased through 12/31/23					
Total Number of Loans	74		Gender	#	%
Average Purchase Price	\$264,992		Female	41	55%
Average Income	\$ 77,754		Male	31	42%
Average Age	34		Info Not Provided	2	3%
Average Family Size	3				
			Marital Status	#	%
			Unmarried	58	78%
Guarantor	#	%	Married	15	20%
FHA	38	51%	Info Not Provided	1	1%
RD	20	27%			
Arch	7	9%	Ethnicity	#	%
Self-Insured	3	4%	White/Non-Hispanic	53	72%
VA	3	4%	Black/Non-Hispanic	10	14%
Uninsured	3	4%	Info Not Provided	4	5%
			Hispanic	3	4%
			Native American	1	1%
Property Type	#	%	Asian/Pacific Island	1	1%
Single Family	51	69%			
Multi-unit	14	19%	Qualifying Condition	#	%
Mobile Home	7	9%	Parent/Legal Guardian	23	31%
Condo	2	3%	Foster Care	1	1%

DASHBOARD: 2023

Highlights by County

© 2024 Mapbox © OpenStreetMap

Ethnicity

Ethnicity	Percentage of Total
Asiyan/Pacific	~1%
Black	~15%
Did not report	~5%
Hispanic	~5%
Native American/Alaskan	~1%
Other	~2%
White	~61%

Year of Purchase Date: County: Ethnicity: Program: Housing Type:

Summary

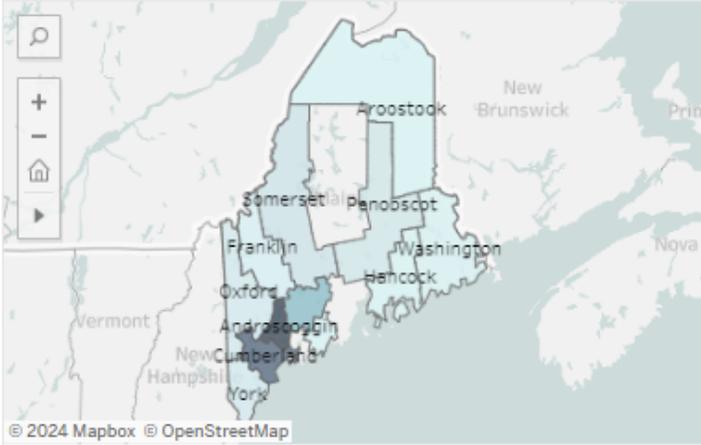
Total Number of Loans 74	Total Amount of Loans \$18,513,897	Average Unit Purchase Price \$264,992	Average Loan Amount \$250,188	Average Borrower Gross Income \$77,754	Average Borrower Age 33.80	Average Borrower Household Size 2.554
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Number of Loans by Program

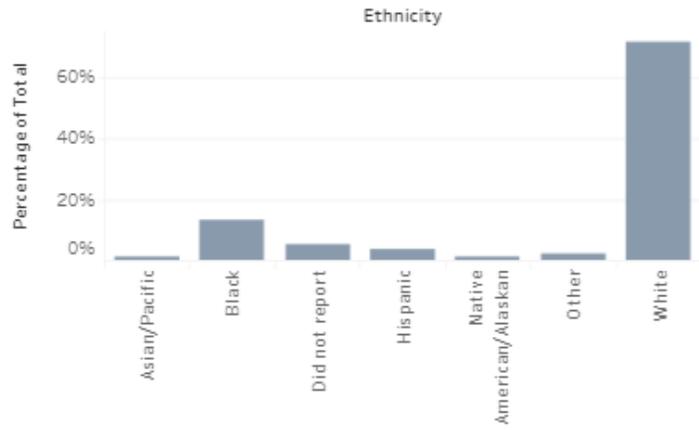


DASHBOARD: 2024

Highlights by County



Ethnicity



Year of Purchase Date:
 County:
 Ethnicity:
 Program:
 Housing Type:

Summary

Total Number of Loans	Total Amount of Loans	Average Unit Purchase Price	Average Loan Amount	Average Borrower Gross Income	Average Borrower Age	Average Borrower Household Size
74	\$18,513,897	\$264,992	\$250,188	\$77,754	33.80	2.554

Number of Loans by Program



APPENDIX D



Owning a Home is Key

Are you interested in **\$10,000** in down payment assistance and a low interest rate?

The First Generation Program may be able to help.

Find out if you qualify at MaineHousing.org/firstgen

To apply for a MaineHousing loan contact a MaineHousing approved lender.

First Generation allows eligible applicants to receive:

- Interest rate 1% below MaineHousing's regular First Home Loan base rate.
- A total of a \$10,000 grant credited at closing subject to completing a MaineHousing-approved Financial Literacy class and a hoMEworks or MaineHousing approved homebuyer education (HBE) class.

Am I eligible?

- Are you a true first-time homebuyer? (You have not held an ownership interest in your principal home anytime during your lifetime.)
- At least one applicant has either:
 - Never lived in a home owned by their biological parents or legal guardians during their lifetime, or
 - Lived in foster care at some point during their childhood.



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