

City of Newton

NEWTON HOMEBUYER PROGRAM

Frequently Asked Questions

How does the Program Work?

If you meet the family income and other program guidelines, we will give you a Cost Buydown Grant of up to \$110,000 and a Closing Cost Forgivable Loan of up to \$5,000.

Cost Buydown Grant

The purpose of this grant is to get your housing costs (principal, interest, taxes, insurance & condo fees, if any) down to no more than 33% of your income. The way we do this is to give you a Cost Buydown grant. What this means is that the price of the unit will be reduced (“bought down”) by the grant from the negotiated sale price to a level you can afford with a regular mortgage. For example, if you find a home where the asking price is \$250,000 and you could only afford \$200,000 with your mortgage pre-approval, this program may buy down the cost of the \$250,000 by \$50,000 to \$200,000. Your mortgage and downpayment would then only have to cover the \$200,000.

Closing Cost Forgivable Loan

In addition to the buydown assistance grant, qualified applicants may be eligible to receive downpayment assistance for use toward the deposit tendered with a Purchase and Sale Agreement or for closing cost assistance. Such assistance is in the form of a forgivable, contingent loan. The loan is available up to a maximum of five thousand dollars (\$5,000). The loan term is for five years and is forgiven at the rate of one-fifth of the loan amount per year, so that at the end of the five year period the total loan is forgiven.

When is the assistance made available?

The check for assistance (including closing costs) is provided at the closing.

Do I need a Downpayment?

Yes. You will need a cash downpayment of at least 3% (\$6,000 in the above example), of which at least half should be your own funds and the other portion may be gifts (say from your parents).

Do I need to be a resident of Newton or a first time homebuyer?

No. The funds are available for *first time homebuyers* (defined as someone who has not owned any interest in real estate for the past three years). Displaced homemakers may not be excluded on the basis that the individual, while a homemaker, owned a home with his or her former spouse or resided in a home owned by the former spouse. A displaced homemaker is an adult who has not worked full-time, full-year for a number of years but during such years worked primarily without remuneration to care for the home & family **and** is unemployed or underemployed and experiencing difficulty in obtaining or upgrading employment.

Newton residents, people who work in Newton and people with children in school in Newton are specifically encouraged to apply, but all are welcome to apply.

What if I have less than perfect credit?

Your primary lender may suggest ways to improve your credit, but good credit is not a requirement of the Program. However, you must be able to obtain a mortgage and afford the property. Completion of a financial counseling class in addition to homebuyer classes may be required.

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Can I choose my own property?

Yes. Applicants select their own property within City of Newton boundaries.

Can I buy a property and use it to generate income?

Yes, provided that you must occupy one unit in the property as your principal residence. For example, you may purchase up to a four-unit home and occupy one unit as your primary residence. You may not rent your principal residence if the principal residence was purchased with funds from the Program.

When are applications due?

There is no due date. Applications are accepted on a rolling basis, however funding is limited and will be provided on a first-come first-served basis. Funding will be provided to qualified applicants who have: (1) completed the application process; *and* (2) provide a fully executed Offer to Purchase Real Estate, as long as funding is available.

What is a complete application?

A complete application includes the application form filled out with all required information and documentation, including, but not limited to, income tax returns for the last three years, financial institution account information, evidence of income, a first time homebuyer class certificate, and a preapproval from a lender of your choice. See the application for a checklist of required documents.

Do I need to provide income and asset documentation for each member of the household?

Yes. Income is calculated on a total gross household income basis. All household members' income is included in the calculation, plus a percentage of assets.

When does the first time homebuyer education class need to be taken?

Applicants must complete a first time homebuyer education class (Homebuyer 101) *prior to closing*. This course is also a requirement to qualify for the SoftSecond Loan Program and is offered by many area homebuyer education agencies. Within a year of closing, applicants are required to attend a post purchase education class (Homebuyer 201). Links to a calendar of scheduled 101 and 201 homebuyer classes can be accessed online by following: Departments / Planning & Development / Programs & Services / Homebuyer Programs / General Information / Homebuyer Classes.

Do I have to pay the assistance back? Do I have to make payments?

No. Buyers receiving Program assistance do not make payments on the funding assistance, provided that the applicant complies with the terms and conditions that require that the property be subsequently sold to an income-qualified buyer. The City will provide the buyer through a City Homebuyer Program.

If I pay the funding assistance back, can I void the deed restriction?

No. The deed restriction maintains permanent affordability of the unit and cannot be voided.

How much can I sell the property for?

The City determines the selling price of the property. The price will be calculated to ensure it is affordable to the subsequent buyer. The applicant's return on equity will be limited.

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How do improvements affect the Maximum Resale Price of my house?

Improvements add to the value of your home, prolong its useful life, or adapt it to new uses. The cost of approved improvements will be considered in the calculation of the Maximum Resale Price (see the deed restriction section for the definition of MRP) and will affect the amount of funds that you recover, plus a limited amount of equity, when you sell the property. The amount of improvements that will be recoverable are limited, and are subject to proper documentation.

Should I hire an attorney?

Yes. You are encouraged to utilize whatever professionals you desire to ensure that you feel comfortable taking advantage of the Program.

Where should I apply for a mortgage?

You are free to select any lender and any mortgage product that works for your finances. See below for information on special programs that may be available to you.

- *Soft Second Program*

First Time Homebuyers may apply for a mortgage to banks that participate in the Massachusetts Housing Partnership Fund **Soft Second Program**. This program combines a conventional first mortgage with a subsidized second mortgage to help households to qualify for a mortgage and purchase a home for the first time. This program offers several benefits, including below market interest rates, no points and no private mortgage insurance. (See **MHP.Net** for a detailed explanation of eligibility and benefits.) Inform your primary lender as early as possible if you intend to participate. The Soft Second Program cannot be used in conjunction with the MassHousing Municipal Mortgage Program.

Are there mortgage products specifically for municipal employees?

- *MassHousing Municipal Mortgage Program*

There is a mortgage product offered to municipal employees by MassHousing, called **the Municipal Mortgage Program**. Since the program requires no downpayment from the borrower it does require good credit. The program is for municipal employees whose household income does not exceed 135% of the HUD median household income for the community where they are trying to buy a home. For a list of incomes by city and town call the Municipal Mortgage Hotline toll free 1-877-309-HOME or See MassHousing.Com for more information.

Where can I find more information about Newton Homebuyer Programs?

Go to www.ci.newton.ma.us/Planning/Department_Services/Homebuyer_Programs or call 617-796-1146.