



Guidelines

City of Newton Homebuyer Programs

Newton Housing Office
1000 Commonwealth Avenue
Newton, MA 02459
(617) 796-1150
TDD/TTY (617) 796-1089
www.ci.newton.ma.us/planning/housing

Introduction

The City of Newton has two programs to help certain qualified applicants with the purchase of their first home: (1) The First Time Homebuyer Program (“FTHP”) and (2) The Newton Connection Homebuyer Program (“NX”). Applicants must be qualified based on certain income eligibility requirements mandated by the federal government. 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.

Applicants to both programs must demonstrate that they have had no ownership interest in real estate for the prior three years (exceptions include “displaced homemaker status”). Applicants to the NX must demonstrate that they are: (1) residents of Newton; or (2) work in Newton; or (3) have children enrolled in a school in Newton; or (4) graduated from a Newton high school.

The property to be purchased must be within the City of Newton. Funding is available without regard to race, color, religion, national origin, sex, marital status, and age.

The Newton Community Development Authority (“NCDA”) may act as the contracting party and signatory on behalf of the City of Newton’s Housing Office with regard to the provision of funding assistance.

Purpose of the Program

The purpose of the Cost Buydown under this program is to get the buyer’s ratio of housing costs to gross household income (*front end ratio*) down to 33%. This means that the negotiated price for the unit will be bought down by this Program to a level you can afford with a regular mortgage. For example, if you find a home for \$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. In order to get this grant you will have to agree to a deed restriction (restrictive covenant) that limits the resale price of your home.

Front End Ratio Defined

The front end ratio is defined as that percentage of the applicant’s total gross income that will be paid toward principal, interest, taxes, condo fees (if applicable) and insurance. So if your household has a gross annual income of \$50,000, you should be paying no more than \$16,500 annually, or \$1375 monthly, towards your principal, interest, taxes, condo fees (if applicable) and insurance.

Mortgage Pre-Approval

In order to be eligible for the program, you have to provide evidence of a *preapproval* for a conventional mortgage (30-year, level payment, amortizing mortgage, with a downpayment of at least 3%, at least half of which must come from the buyer's own funds) that is within the affordability limit based on a 33% ratio of housing costs to gross household income (*front end ratio*), when combined with Newton Homebuyer assistance.

We strongly recommend that you consider working with a bank that participates in the Massachusetts Housing Partnership's Soft Second Program (see the list of participating banks at www.mhp.org). Not only does this program reduce your monthly payments (and therefore increases the amount you can pay for a property), it provides extremely competitive low interest rates.

How to Apply

Applications are available at the City of Newton Housing Office, the City Planning Department, [online \(click here\)](#), by mail, or may be picked up in person. Completed applications are reviewed on a first come, first served basis. Incomplete applications will not be processed nor returned. Applicants are required to be in regular contact with the office during the submission of materials, the search for the property, and the closing process.

Applicants must complete a homebuyer education class prior to receiving funding assistance ("Homeowner 101"). Within six months of closing, applicants are required to attend a post purchase counseling class ("Homeowner 201"). Go to www.chapa.org for a list of approved classes. Applicants with less than perfect credit may be required to take credit and/or financial management classes as a prerequisite to the receipt of funding assistance. These classes may also be found at www.chapa.org.

Completed Application

A completed Application consists of personal and household composition information, and extensive income, financial liability and employment, and residency verification documents.

Applicants shall submit all documents required and shall provide a signed Offer and the Purchase and Sale Agreement as soon as practicable.

Applicants are required to authorize and permit the free exchange of financial information between the Newton Housing Office and the primary lending institution. Applicants shall authorize and permit the lender to provide: (1) the funding commitment that details terms of the mortgage; (2) the certified appraisal of the property; and (3) any other materials deemed relevant in accordance with the policy of the Newton Housing Office.

Eligibility based on Income plus a Percentage of Assets

Households eligible to receive buydown assistance are required to have a gross income below 80% of the Boston area median income, as determined by the U.S. Department of Housing and Urban Development. Historically, income limits have increased between 3%-8% annually, but have not increased at all since 2004.

Household means all persons (one or more) occupying a housing unit.

Income eligibility is calculated based on the number of persons in the household and the total gross household income. All income, earned by every adult member of the household, is counted, including a percentage of the household assets. Total income (gross income plus the percentage of assets) is then compared to the federal limits for purposes of income eligibility. [Current income limits \(Click here\)](#)

Income will be projected forward one year based on the prevailing rate of income at the time assistance is provided for the household. Projected income will include income from all household members.

A determination of eligibility based on income limits shall not constitute a financial commitment or legal obligation to provide funding assistance. A commitment will be provided once the applicant has submitted all required documents, has been determined eligible and has provided a signed Purchase and Sale Agreement. Eligibility determinations are good for six months.

Inspection and Lead Paint

The Newton Housing Office is required to visually inspect the property to ensure that the property is in compliance with Housing Quality Standards as defined by the U.S. Department of Housing and Urban Development.

Such inspection is not a substitute for a home inspection. The Applicant is strongly encouraged to hire a licensed home inspector to inspect the property. The inspection should take place at the property in the presence of the Applicant(s), the agents for both the seller and the Applicant, and the inspector. The seller should not be present, as this is a professional, private appointment between the homebuyer and the inspector.

Prior to occupancy, the property must comply with inspection procedures promulgated by the HOME program and the lead paint regulations issued under Title X of the Housing and Community Development Act of 1972 as amended and the laws of the Commonwealth of Massachusetts. The federal lead paint regulation appears within title 24 of the Code of Federal Regulations as part 35 (24 CFR 35). The Newton Housing Office has a separate program of funding available for the abatement of lead and other household hazards, and for general housing rehabilitation. See www.ci.newton.ma.us/planning/housing for more information and an application.

Funding Assistance

Qualified Applicants may receive funding assistance as: (1) a cost buydown grant; and (2) a forgivable loan that may be used toward (i) the good faith offer made on a Purchase and Sale Agreement *or* (ii) closing costs, but not both (i) and (ii).

Buydown Assistance Grant

A qualified Applicant may receive UP TO one hundred and ten thousand dollars (\$110,000.00) in the form of a grant as buydown assistance toward the purchase of an eligible property. The funds are not required to be paid back provided that the homebuyer has complied with the terms of the deed restriction and program guidelines. A restrictive covenant will be placed on the deed that limits the resale price appreciation to the same percent that incomes go up during the time you own the home.

The amount of buydown assistance is limited to a 33% front-end ratio (all housing debt to income ratio). The grant is calculated based on a formula that considers the applicant's income, applicant's funds, the price of the property, and other mortgage/subsidy programs the applicant will use towards the purchase. We will calculate this amount after we have received your income information and your mortgage pre-approval.

Downpayment or Closing Cost 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) and in no event will exceed the actual amount of closing costs. Applicants may be reimbursed for closing costs up to the maximum. The loan is secured as a lien against the property.

Closing Costs generally total from two to five (2%-5%) percent of the home's purchase price and are in addition to the down payment. Closing costs include such things as points (lender's administrative costs), an appraisal fee, a credit report fee, mortgage interest for the period between the closing date and the first mortgage payment, homeowner's insurance premium, title insurance, prorated property taxes, and recording and transferring charges.

The loan is forgiven one-fifth per year over the course of five years, so that after five years the loan is totally forgiven. In the event that the Applicant sells, conveys, or otherwise disposes of the property during the five (5) years subsequent to the date of the closing, the Applicant(s) shall repay the loan on a pro rata basis.

The receipt of closing costs assistance is determined based on receipt of a HUD-1 RESPA or Settlement Statement. Upon buyer's request, the HUD-1 may be provided by the primary lending institution prior to closing of the primary loan and is a good faith estimate of the amount of closing costs. Applicant is required to provide the HUD-1 as soon as it is available.

Occupancy Requirement

The Applicant must agree to use the property as his/her principal residence from the date of closing until the property is sold in compliance with the terms and conditions of the declaration of restrictive covenants.

Principal residence means the dwelling where the Applicant maintains (or will maintain) his or her permanent place of abode, and typically spends (or will spend) the majority of the calendar year. A person may have only one principal residence at any one time.

Declaration of Restrictive Covenants-Resale

At closing, the applicant is required to execute a declaration of restrictive covenants ("deed restriction"). The deed restriction encompasses specific terms and conditions and is the contractual agreement between the homebuyer and the City. The deed restriction details: (1) the formula that calculates the amount of appreciation the homeowner is permitted to earn; (2) the notice requirements of intent to sell the property; and (3) the requirement that the property shall be sold to a homebuyer who meets the then current income eligibility requirements. The City will use reasonable efforts to provide the subsequent eligible buyer.

The formula that determines the amount of appreciation is tied to the annual (cumulative over years of ownership) increase in income guidelines. Historically, the increase has been between 0%-8% annually.

The resale provisions are triggered upon sale, rental, gift or any conveyance or transfer of the property or any interest in the property or upon the death of the Applicant. An attempt to refinance absent consent from the City shall trigger resale provisions.

Notice Requirements

**The Associate Director of Housing and Community Development shall be given reasonable, advance notice in writing of any intent to sell, transfer title, or otherwise dispose of the property. Send Notice via Priority Mail To:
Attention: Associate Director of Housing and Community Development
Newton City Hall
1000 Commonwealth Avenue
Newton, MA 02459**

The Applicant must at all times:

- (1) Live in the property as their principal residence; and
- (2) Perform all obligations set forth in the Guidelines, Funding Agreement, and the Declaration of Affordable Housing Covenants (the “deed restriction”). A copy of each of these documents is available to the Applicant upon request.

Commitment and Closing

After receiving preapproval for a grant and/or a loan, and after receiving a copy of the fully executed Purchase and Sale agreement, the Newton Housing Office may issue a commitment letter that details the funding assistance, any contingencies to the assistance, and a request for additional materials that may be required to establish a loan closing date.

The Applicant is required to respond to all requests for additional information and to meet all contingencies in a timely manner.

Closing or Settlement is the date when the property is formally transferred from the seller to the buyer and when the buyer assumes the loan obligations and pays all closing costs.

The City of Newton will provide the funding assistance at the closing. The Applicant will be asked to sign a Grant Agreement, a Uniform Commercial Code Form 1, a Declaration of Affordable Housing Covenants, a Truth in Lending Disclosure Statement, and a Lead Notification document. The Applicant may be required to provide evidence of smoke detectors, insurance and other documents similar to those requested by the primary lender.

Special Case: Where the Property has a Resale Restriction from Another Program

In cases where the property to be purchased has a permanent affordability resale restriction placed by other regulatory or funding programs, such as property developed under a Comprehensive Permit or Inclusionary Zoning, or through a federal, state or local housing development subsidy, the Newton Homebuyer Assistance Program would not put a further deed restriction on the property. In these cases, the price is already restricted to a level that should be affordable to a family at 70% of area median income and only a small of assistance, if any, should be needed from this program. Instead, the assistance would be in the form of a down payment assistance loan that would require repayment of the homebuyer

assistance when the property is sold, but only to the extent that there are net proceeds after senior loans have been paid off.

After the Closing

Attend the required post purchase counseling class, stay on top of your finances, pay your primary mortgage on time, maintain your insurance coverage, and enjoy your new home!

Fair Housing & Reasonable Accommodation

The City of Newton does not discriminate in the selection of applicants based on race, color, disability, religion, sex, familial status, sexual orientation, national origin, genetic information, ancestry, children, marital status, or public assistance recipient.



Disabled persons are entitled to request a reasonable accommodation of rules, policies, practices, or services. Requests may be made by calling (617) 796-1150 or TDD/TTY (617) 796-1089 or emailing housing@newtonma.gov.