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October 30, 2019

Chairman Aaron Michlewitz
Representative Denise Garlick
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Chairman Michael Rodrigues
Senator Cindy Friedman
Senator Vinny deMacedo

**RE: CHAPA's FY2019 Supplemental Budget Recommendations for
Downpayment Assistance and Rent Arrearage Program**

Dear Chairman Michlewitz and Chairman Rodrigues,

On behalf of Citizens' Housing and Planning Association (CHAPA), thank you to the House and Senate for including strong investments in affordable housing in the FY2019 supplemental budget.

CHAPA's mission is to encourage the production and preservation of housing that is affordable to low- and moderate-income families and individuals and to foster diverse and sustainable communities through planning and community development. We advocate for the resources and policies that will help everyone in the Commonwealth have a safe, healthy, and affordable place to call home.

Below are funding and language recommendations supported by CHAPA that will help bridge the key differences between the House and Senate budgets and provide the strongest support for critical affordable housing resources. Specifically, CHAPA asks that you include funding for a down payment assistance program and the rental and mortgage arrearage pilot program in the supplemental budget.

Down Payment Assistance Program (7004-1010)

Adopt the House appropriation of \$10 million.

CHAPA asks that you include the House appropriation of \$10 million for a down payment assistance program to support low- and moderate-income first-time homebuyers.

The average home price in Massachusetts continues to reach record highs.¹ Increased home prices not only impact the size of a mortgage but also require

¹ Crystal Haynes, *Single-family home prices in Mass. Reach record high, report shows*, Boston 25 News (Sep. 25, 2019) <https://www.boston25news.com/news/single-family-home-prices-in-mass-reach-record-high-report-shows/990369724>.

higher amounts of savings required for a down payment. To put down 20 percent on a median-priced home in Massachusetts, a buyer must have \$84,000 saved.² Even buyers qualifying for a 3.5 percent down payment would need more than \$14,000 saved plus closing costs. Nationally, a majority of potential homebuyers lacked the savings for this down payment on a median-priced home in their areas.³ Racial disparities in home ownership and lending also exist in Massachusetts where the gap between black and white home ownership is 33% and 67%, respectively.⁴

Providing \$10 million for a down payment assistance program will help many first time homebuyers purchase their home and will also help reduce the homeownership gap. Investing in down payment assistance programs ensures that first time homebuyers, particularly minorities and those with lower- and moderate-incomes, have the opportunities for homeownership. This will help these households build wealth while also creating stable communities.

Rent and Mortgage Arrearage Program (7004-9316)

Adopt language creating a rent and mortgage arrearage program within RAFT.

CHAPA asks that you adopt language to create a rent and mortgage arrearage pilot program within the Residential Assistance for Families in Transition (RAFT) program (7004-9316).

When households with limited incomes are unable to avoid an eviction or foreclosure because they are unable to pay their rent or mortgage, it can have long lasting negative consequences and may lead to homelessness. A clear and effective solution for these at-risk households is immediate access to cash assistance to help pay down rent or mortgage arrears.

Recognizing this, the Department of Housing and Community Development (DHCD) worked with stakeholders, advocates, and administering agencies to begin implementing an upstream rent and mortgage arrearage pilot program within RAFT in July 2019. The program has already proven successful as many households have achieved housing stability by receiving assistance to pay back rent or mortgage payments.

Currently, DHCD plans to spend up to \$4.7 million from RAFT for the pilot program. This \$4.7 million will come from Housing Preservation and Stabilization Trust Fund (HPSTF) as the FY2020 budget authorized this amount from the trust fund to support RAFT.⁵

² In June 2019, the Massachusetts Association of Realtors reported that the median home price in Massachusetts was \$420,000. [https://www.marealtor.com/news/blog/the-mar-report-test/2019/06/26/median-price-for-homes-in-massachusetts-over-\\$400k-in-may](https://www.marealtor.com/news/blog/the-mar-report-test/2019/06/26/median-price-for-homes-in-massachusetts-over-$400k-in-may).

³ George Masnick, *Why Does Mortgage Debt Continue To Rise Among Older Homeowners*, Joint Center for Hous. Studies (2014) <https://www.jchs.harvard.edu/blog/why-does-mortgage-debt-continue-to-rise-among-older-homeowners/>.

⁴ U.S. Census Bureau, American Fact Finder, *Occupied Housing Units with a householder who is black or African American 2016 American Community Survey 1-year estimate*.

⁵ 2019 Mass. Acts ch. 41, § 2, line-item 7004-9316 (directs \$4,725,768 from HPSTF to be made available for RAFT).

The House language in the supplemental budget authorizes that at least \$7 million from HPSTF and other sources be used to fund the rent and mortgage arrearage program. CHAPA asks that this language be changed to direct the entire \$7 million from HPSTF to support the pilot program. This will provide the arrearage pilot with the \$7 million appropriation while also ensuring that there is full funding for the underlying RAFT program.

A key difference between the DHCD's current implementation of the program and the House language included in the supplemental budget is the maximum benefits a household can receive. The current pilot program, as administered by DHCD, caps assistance at \$4,000. This matches the overall RAFT benefit cap. However, the House language in the supplemental budget allows for up to four months of back rent or mortgage payments.

We respectfully request that you adopt the House language allowing for up to 4 months of back rent or mortgage payments. This will make the pilot program more effective at preventing housing insecurity for households facing eviction or foreclosure, especially for those in higher cost regions of Massachusetts.

We also ask that any other language for the pilot program included in the supplemental budget reflect the current rent and mortgage arrear program as administered by DHCD.

CHAPA looks forward to continuing to work with the Legislature, DHCD, advocates, RAFT providers, and households facing housing instability to ensure that the upstream pilot program and RAFT are as strong and well-funded as possible.

CHAPA thanks the House and Senate for both including \$10 million for supporting the production of housing for extremely low-income households (7004-1010). This will help build new homes for some of the most vulnerable households in the Commonwealth.

Thank you for your continued investments in affordable housing, homelessness prevention, and community development programs. Thanks also for your leadership and continued support for providing safe, healthy, and affordable homes for everyone in the Commonwealth.

Please do not hesitate to contact me with any questions.

Sincerely,



Eric Shupin
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