

Draft for Discussion
Down payment Assistance Program Proposal to the East Montpelier Selectboard
To promote
New Homeownership opportunities in East Montpelier

Objectives:

- Address financial barriers to homeownership in East Montpelier
- Provide potential homebuyers incentives to purchase and stay in East Montpelier
- To increase the number of young families East Montpelier
- To strengthen the Community with ownership.
- Assist with affordability
- To promote long term ownership within East Montpelier

Background:

The median home price in East Montpelier was \$232,500 in 2016 (Vermont Housing Data).

Avg. Price East Montpelier Jan-June 2016	Median Income based on census 2009-2013	AMI % based on a family of 4 2016- 72,500	Avg.Price Washington Cnty Jan-June 2016	Median Income based on census 2009-2013	AMI % based on a family of 4 2016- 72,500
\$266,445	\$71,346	98%	\$203,609	\$57,281	79%

With an additional \$15,000 in down payment assistance this would allow first time homebuyers to purchase properties that are on average 24 percent higher in price in East Montpelier as compared to the average sale price of homes in Washington County.

Even though interest rates remained low through 2015 and 2016, fees remained high and buyers needed larger down payments, perpetuating affordability problems for lower income and first time homebuyers.

Proposal:

With funding provided by the East Montpelier RLF, DOWNSTREET would provide down payment assistance to home buyers up to \$15,000 to help qualified households purchase a single family house or condo. In exchange for the award, the purchaser agrees to enter into an agreement regarding the use and agrees to occupy the property. The loan shall be forgiven on a progressive schedule. If the home is occupied by the original buyer the repayment obligation is as shown below:

1/3 of Principal amount forgiven after 5 years from the date of purchase

2/3 of Principal amount forgiven after 10 years from the date of purchase

Final third of Principal balance is forgiven after 15 years from the date of purchase.

Downstreet requests compensation in the amount of \$250.00 for each facilitated down payment assistance loan that is funded during this loan period.

Outreach would be coordinated by DOWNSTREET with support from town staff to ensure that realtors and lenders and community members of East Montpelier are made aware of this program.

We would also utilize newspaper, and web advertising methods as well as social media announcements to promote this program.

Process:

In order to qualify, customers must meet the following criteria:

- They must be a first time homebuyer
- The annual household income must be less than 120% of median income
- The potential buyers must attend homebuyer education and counseling.
- Have a need for Down Payment Assistance but otherwise qualify for a mortgage
- The property purchased must be within East Montpelier.
- The potential recipient must be able to contribute a minimum of 3% towards the purchase of the property.
- Obtain a home inspection
- Provide a copy of the Lender's appraisal with Downstreet

Customers would contact Downstreet to sign up for Homebuyer education and counseling and would be determined "mortgage ready". Once the customer is "mortgage ready" potential buyer would locate a property within East Montpelier that will meet the needs of their family.

The buyer would be referred to a lender to obtain a mortgage loan for the purchase of the property once the buyer is approved for a mortgage, the Homeownership Center will coordinate with the buyer and East Montpelier in obtaining the down payment assistance loan.

Once funds are available it is anticipated that funds will be expended within 12 months.

Budget

Down Payment Assistance Capital 3 @ 15,000.00	\$45,000.00
Downstreet Administration 3 @ \$250.00	\$750.00