

Chapter 40B Affordable Home Sales



Topics Covered

CHAPTER 40B AFFORDABLE HOME SALES

What is Chapter 40B?

- Why and when are 40B homes built?
- Deed restrictions and basic homeowner responsibilities
- Role of monitoring agents

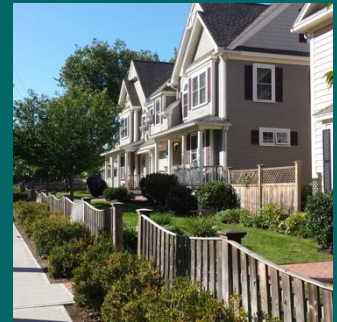
Buyer Eligibility

- Income and Asset Limits
- First Time Homebuyer
- Mortgages for 40Bs

Sale Process

- How are 40Bs priced?
- Advertising and where to find listings
- Application and lottery process
- Closing and ongoing responsibilities

Chapter 40B Basics



What is Chapter 40B?

MASSACHUSETTS' "COMPREHENSIVE PERMIT" LAW

- M.G.L. Chapter 40B passed in 1969 to address shortage of affordable housing
- Applies in communities where less than 10% of housing considered "affordable"
- Developers can get a "Comprehensive Permit" and build housing with more flexible zoning rules
- At least 25% of the units must be "affordable"
- Communities across the state, urban, suburban and rural



624 Osterville-W. Barnstable Rd., Barnstable

What Makes a 40B Home Different?

DEED RESTRICTIONS AND HOMEOWNER RESPONSIBILITIES



Juniper Village, Peabody

- Home is owned by the buyer, just like any other home
- Deed Rider signed by buyer and recorded containing the extra responsibilities of the homeowner
- Most important restrictions are prices and who is eligible to own the home
- Rider makes sure the home stays “affordable” forever - does not expire no matter how long the home is owned

“Eligible” Buyers & “Affordable” Prices

WHO CAN BUY AND FOR WHAT PRICE?

“Eligible” Buyers

- Households must earn less than 80% of the Area Median Income
- Asset restrictions
- Must be a first time homebuyer
- Must occupy as their primary residence



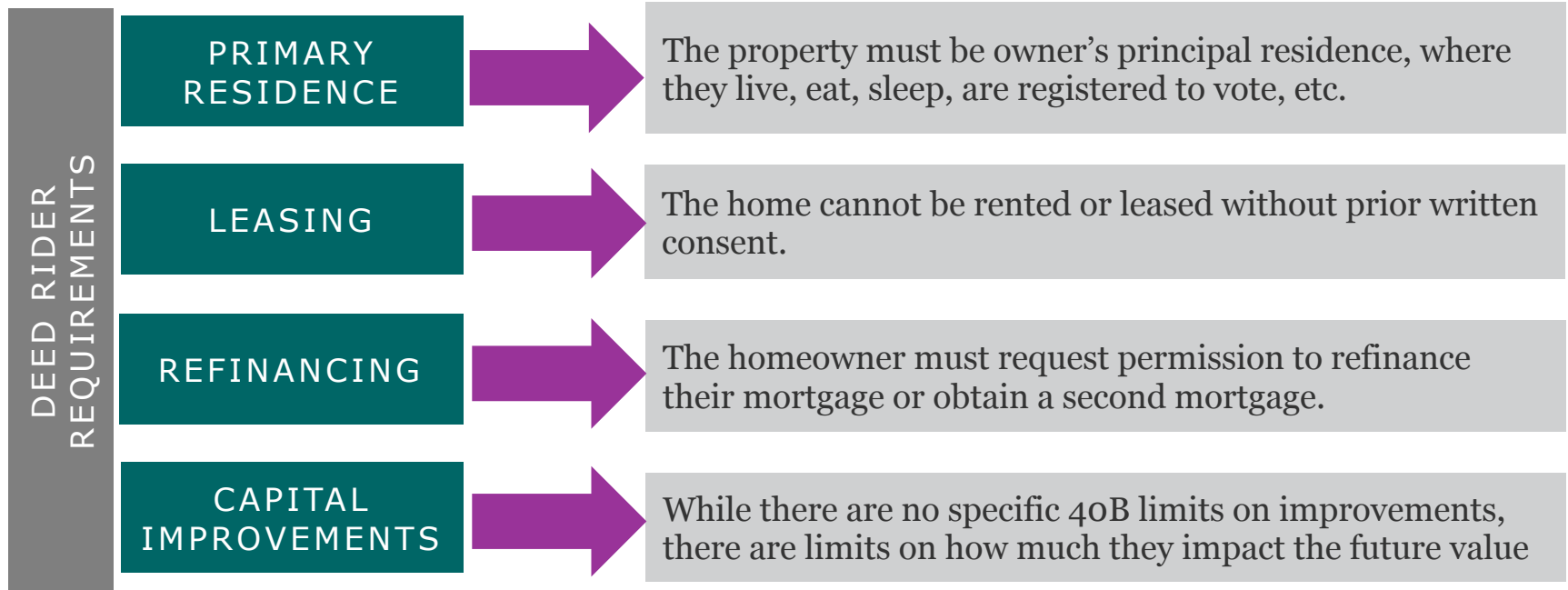
Maritime Landing, Newburyport

“Affordable” Prices

- Sales price set so the household would not spend more than 30% of their income on housing
- Takes into account all the costs of housing – mortgage, condo fees, taxes, insurance, etc.

Other 40B Responsibilities

NON-RESALE RESTRICTIONS



Role of Monitoring Agents

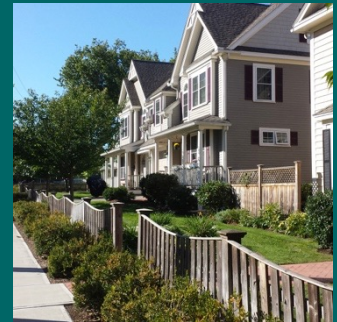
ENSURING COMPLIANCE WITH THE DEED RIDER

- A Monitoring Agent is assigned when the development is built
- Assists when an affordable unit owner refinances, makes a capital improvement, needs foreclosure assistance
- Mission-driven compliance, preventing and addressing violations
- CHAPA is one of several 40B Monitoring Agents across the state



Wayland Gardens, Wayland

Chapter 40B Buyer Eligibility Criteria



Eligibility Criteria – Income Limits

ANNUAL INCOME RESTRICTIONS



Fairway Village, Edgartown

- Households cannot earn more than 80% of the HUD Area Median Income for that community
- Includes **gross** income from entire household – wages, Social Security, child support, self-employment, etc.
- CHAPA will look at the past 12 months, unless there has been a recent reduction in income which puts the household under the limit

Eligibility Criteria – Income Limits

2023 HUD 80% AREA MEDIAN INCOMES

Area	1-person	2-person	3-person	4-person
Metro Boston Area	\$82,950	\$94,800	\$106,650	\$118,450
Lowell & Lawrence Areas	\$66,300	\$75,750	\$85,650	\$94,650

Lowell & Lawrence Area Communities include: Andover, Billerica, Boxford, Chelmsford, Dracut, Dunstable, Georgetown, Groton, Groveland, Haverhill, Lawrence, Lowell, Merrimac, Methuen, North, Pepperell, Tewksbury, Tyngsborough, West Newbury, Westford

- HUD Area Median Income figures updated annually the first few months of the year

Eligibility Criteria – Asset Limits

TOTAL LIQUID ASSETS

- Total liquid assets cannot exceed \$75,000
- Includes all bank accounts, investments, and gifts
- Includes retirement accounts, but only the cash surrender value, after taxes and fees
- Does not include personal property, vehicles, special needs trusts
- ***Income and asset limits are only checked at time of purchase***



Coppersmith Way, Townsend

Eligibility Criteria – First Time Homebuyer

FIRST TIME HOMEBUYER STATUS

- Purchaser must be a first time homebuyer – must not have owned a home within the past three years
- Exceptions: single parents that owned a home with an ex-partner, displaced homemakers, mobile home owners
- First Time Homebuyer certification is preferred, but not required
- Different for age-restricted developments



Mortgage Requirements

MUST HAVE FINANCING LINED UP

Required

- Must have pre-approval letter for at least 97% of property's advertised price
- At least 1.5% of 3% down payment must come from buyer's own funds
- Must be fixed-rate loan

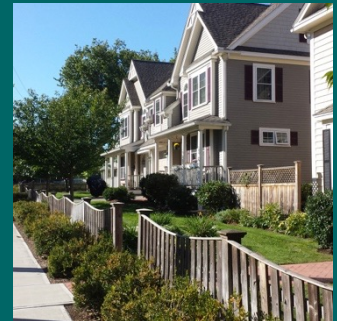
Preferred

- MassHousing or MHP One mortgage
- But conventional, Fannie Mae/Freddie Mac loans accepted
- Working with a local Massachusetts-based lender

Area of Concern

- FHA loans are often problematic, FHA underwriting rejects 40B deed riders
- VA and USDA loans have fewer issues than FHA
- Recommend having buyer confirm the deed rider with lender's underwriting team

Chapter 40B Opportunities



Calculating Sale Prices

BEAUTIFUL HOMES, GREAT PRICES

- Maximum Resale Price is based on a formula contained in the deed rider
- Establishes the maximum that owner can accept from the buyer, not a guarantee they will receive that amount
- On average, represents 40%-60% discount on market price
- Formula varies a bit from development to development



The Village at Merrimac, Merrimac

Application and Selection Process

APPLICATION AND SUPPORTING DOCUMENTS

- Application is made available once property is advertised
- Application collects information about the household members, their income and assets; acknowledgment of 40B restrictions
- Must submit supporting income and asset documentation: pay stubs, award letters, bank statements, etc.
- Can be submitted via secure Dropbox upload



Hilltop Farms, Grafton

Application and Selection Process

SELECTION PROCESS: LOTTERY OR FIRST COME, FIRST SERVED

- Most 40B sales handled as lotteries, application period of 10-14 days
- All complete applications received by deadline entered into a random drawing
- For resales, no preference given, all applications have same chance
- Initial sales lotteries may have local or household size preference
- Some resales may be handled on a first come, first served basis – first eligible application received is approved



General Patton Drive, Hyannis

Approval and Closing

THE FINAL STEPS



Coachman's Ridge, Andover

- After a winner is selected in the lottery, CHAPA again reviews the application to confirm eligibility and will provide a buyer approval letter
- The buyer and seller negotiate terms of sale, standard real estate transaction steps: offer, inspections, Purchase & Sale Agreement
- CHAPA provides necessary deed rider and certificates for recording at closing

How are 40B Properties Advertised?

WHERE TO LOOK FOR 40B OPPORTUNITIES

Advertising:

- CHAPA will post the property on affordable housing websites, appropriate email lists, send to town agencies
 - City of Boston's Metrolist - www.boston.gov/metrolist
 - Municipality websites
- Some 40B owners choose to hire their own real estate agent and CHAPA will work with their agent, those listings can be found on MLS



- Down payment assistance programs across the state
- State-sponsored mortgage products from MassHousing and MHP
- **Affordable homeownership opportunities and how to apply for them**

Townhome for sale: \$186,700

74 RILEY ROAD, TYNGSBORO CROSSING,

- 2 Bedroom
- 1.5 Bathroom
- Condo fee: \$200/month
- 1,100 sq ft
- Central AC
- Basement & private yard space
- **Deadline to apply May 15th at 5pm**

For more photos and application visit:
<https://www.mymasshome.org/listing/1101>



Questions?

Thank you!

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