

Chapter 40B Affordable Home Sales



How are 40B Properties Advertised?

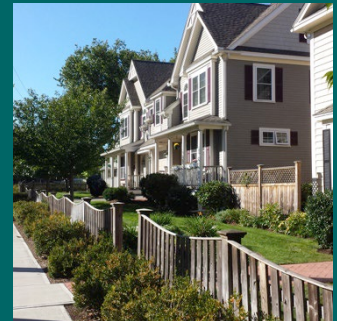
WHERE TO LOOK FOR 40B OPPORTUNITIES

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, those listings can be found on MLS



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

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

“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



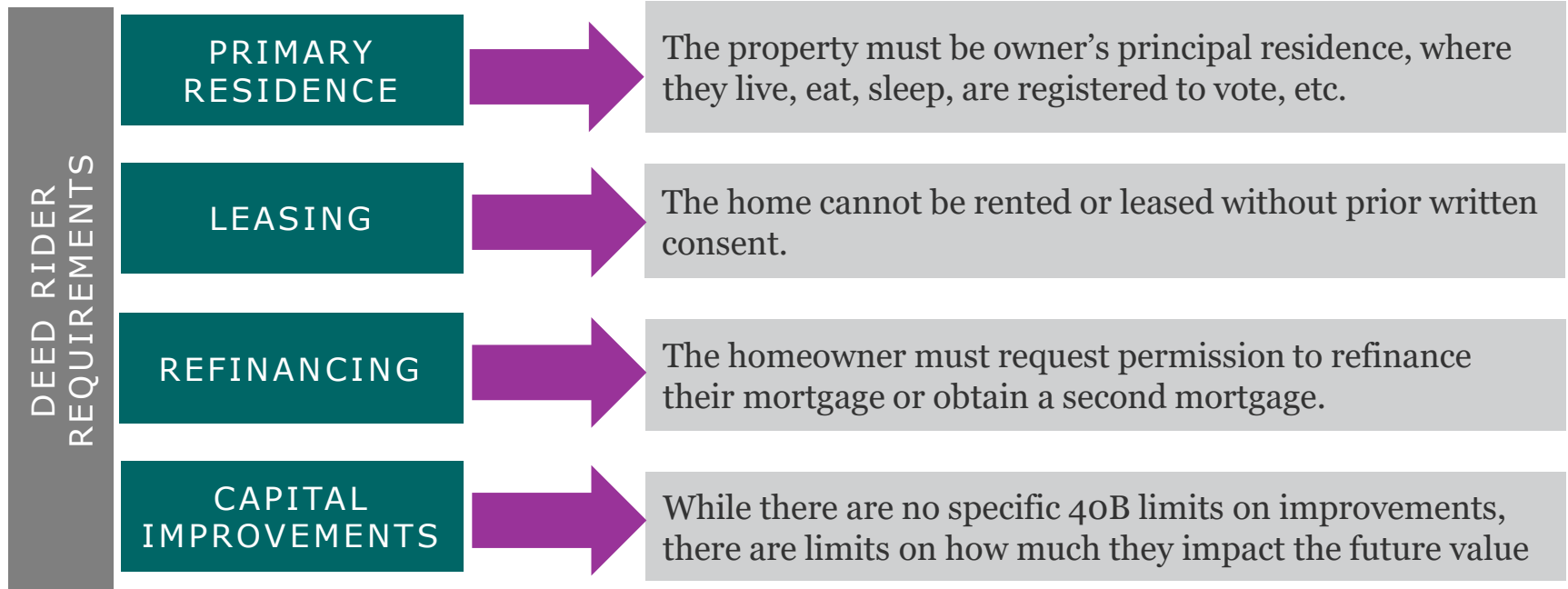
Maritime Landing, Newburyport

“Affordable” Prices

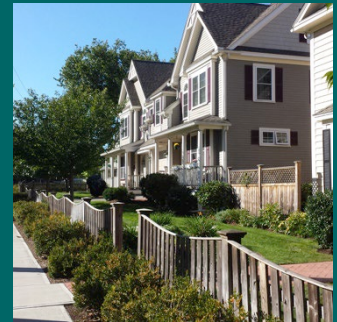
- Sales price set so the household would not spend more than 30% of their income on housing
- Takes into account all the costs of housing – mortgage, condo fees, taxes, insurance, etc.

Other 40B Responsibilities

NON-RESALE RESTRICTIONS



Chapter 40B Buyer Eligibility Criteria



Eligibility Criteria – Income Limits

2024 HUD 80% AREA MEDIAN INCOMES

Area	1-person	2-person	3-person	4-person
Greater Boston Area	\$91,200	\$104,200	\$117,250	\$130,250
Worcester County	\$68,500	\$78,250	\$88,050	\$97,800

- HUD Area Median Income figures updated annually

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 – Asset Limits

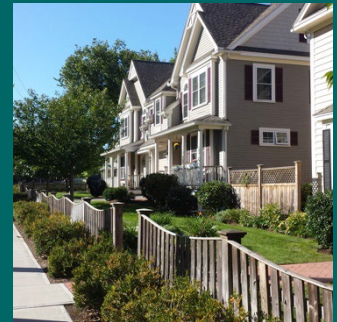
TOTAL LIQUID ASSETS

- 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

Chapter 40B Resale Lotteries



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
- Applicants collect information about the household members, their income and assets, mortgage preapproval; acknowledgment of 40B restrictions
- Can be submitted via Google Doc Form
- Must be prepared to submit supporting income and asset documentation 24 hours after lottery selection: pay stubs, award letters, bank statements, tax returns, retirement accounts etc.



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, appropriate household size preference is given based on bedrooms
- 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, the first selected applicant must submit supporting income and asset documentation **24 hours after lottery**: pay stubs, award letters, bank statements, tax returns, retirement accounts etc.
- CHAPA reviews application to confirm eligibility and provides 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

Mortgage Requirements

MUST HAVE FINANCING LINED UP

Required

- Must have pre-approval letter for no more than 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

Recommendation

- Recommend having buyer confirm the deed rider with lender's underwriting team

Thank you!

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Questions?