

## First-Time Homebuyer Buydown Assistance Guidelines

The following guidelines will be used to evaluate which applicants qualify for Buydown Assistance.

- Assistance is only available to applicants who qualify for Cambridge residency preference
- Assistance is only available to applicants who meet all eligibility requirements to purchase other than having sufficient income
- For two- and three-bedroom units, the maximum assistance is \$100,000 per unit or 25% of the original unit sales price, whichever is lower.
- For one-bedroom units, the maximum assistance is \$50,000 per unit or 25% of the unit original sales price, whichever is lower.
- Applicant's current minimum debt service payments may be no more than 5% of gross monthly income for non-student loan or medical debt and no more than 8% of gross monthly income for all combined debt.
- Income, as demonstrated by prior year tax returns, current pay stubs, and other documentation, must be consistent.
  - Current gross income not more than 10% below income documented in tax return submitted for the prior year.
  - For applicants with self-employment, the most recent two years of tax returns must show income after deductions fluctuates by not more than 10% of highest year's income.
- After subtracting the required 3% down payment and an estimated \$4,000 for closing costs, applicants must have liquid assets totaling a minimum of \$10,000. The minimum balance must have been maintained for at least three months as shown on the most recent bank statements.
- Applicants must contribute any liquid assets in excess of \$50,000 after subtracting the required 3% down payment and an estimated \$4,000 for closing costs.
- If an applicant is qualified for Buydown Assistance, the amount of assistance is determined using the following:
  - Calculate the maximum affordable mortgage for the applicant based on:
    - 33% of gross monthly income for housing using:
      - Insurance, taxes, and condo fees used to determine base price;
      - Interest rate in applicant commitment letter or other documentation acceptable to staff
  - Subtract the applicant maximum affordable mortgage from the purchase price
  - Subtract the required buyer asset contribution or 3% downpayment, whichever is greater
  - The remainder is the amount of Buydown Assistance
  - A Buydown Calculation Worksheet shall be completed for all recipients

- Buydown Assistance funds permanently reduce the Affordable Price as defined in the Affordable Housing Covenant. The funds will be documented in the AHC or the Acknowledgement of AHC signed by the buyer at closing. The funds may remain in the unit upon resale. Funds shall not be considered downpayment assistance or buyer equity. The affordable value will appreciate based on the initial purchase price as reduced by Buydown Assistance.

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