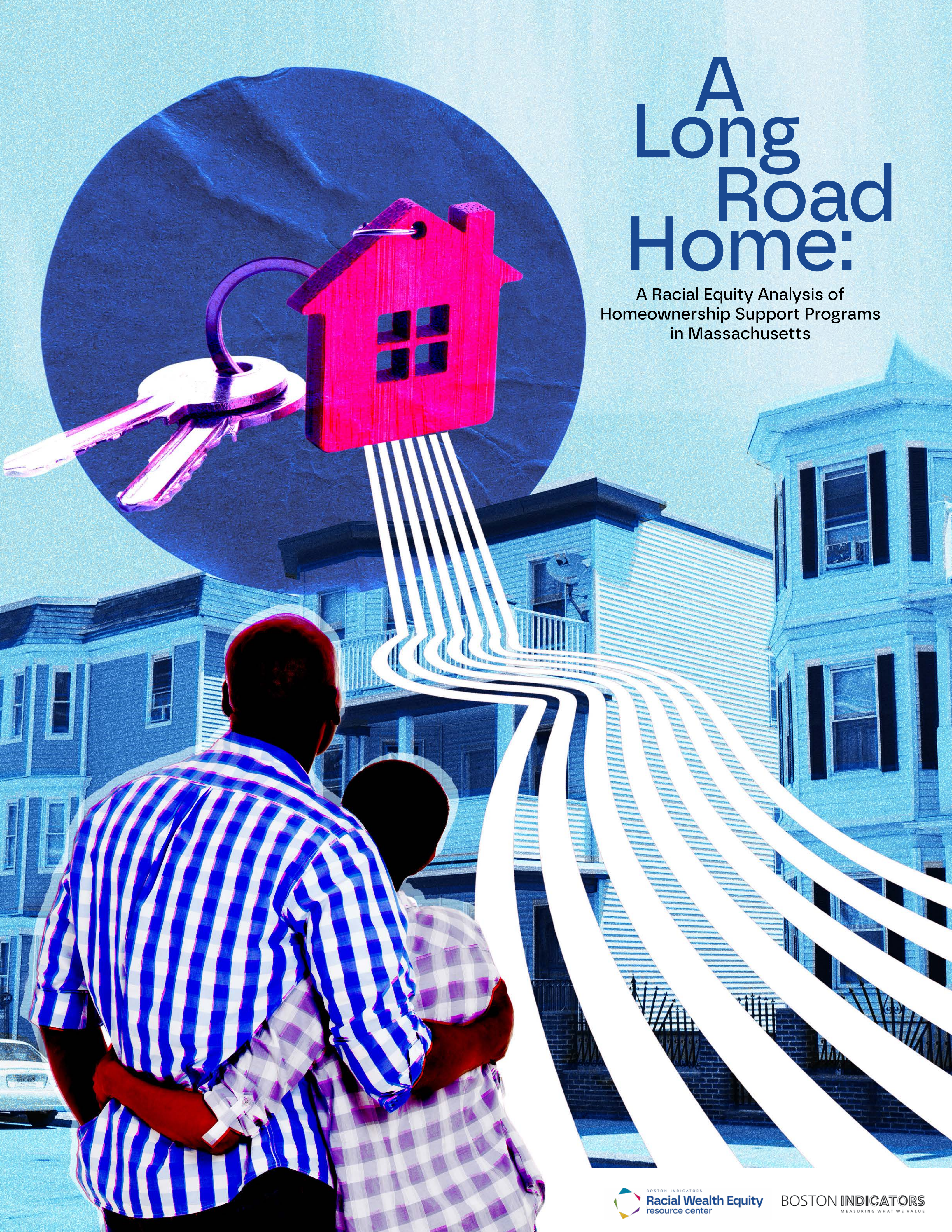
A Long Road Home:

A Racial Equity Analysis of Homeownership Support Programs in Massachusetts



Boston Indicators Racial Wealth Equity resource center

Boston Indicators Measuring What We Value

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ABOUT BOSTON INDICATORS

Boston Indicators is the research center at the Boston Foundation, which works to advance a thriving Greater Boston for all residents across all neighborhoods. We do this by analyzing key indicators of well-being and by researching promising ideas for making our region more prosperous, equitable and just. To ensure that our work informs active efforts to improve our city, we work in deep partnership with community groups, civic leaders, and Boston's civic data community to produce special reports and host public convenings.

This report is part of the Boston Indicators Racial Wealth Equity Resource Center initiative. Learn more at www.rwerc.org

ABOUT THE BOSTON FOUNDATION

Founded in 1915, the Boston Foundation is one of the most influential community foundations in the country. Partnering with community members, donors, the public sector, businesses and nonprofits, we aim to repair past harms and build a more equitable future for our city and region. Supported by the Annual Campaign for Civic Leadership, we publish research into current critical issues, convene people in public forums to discuss the city's agenda and the region's trends—and use our shared knowledge to advocate for public policies that promote equity and opportunity for everyone. TBF is also one of New England's largest grantmakers, supporting nonprofits in Greater Boston through our endowment and working closely with our donors to support nonprofits locally, nationally and internationally.

ACKNOWLEDGMENTS

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The Boston Foundation's strategic focus includes efforts to redress racial inequities and disparities. In working to advance equity, we have identified the core areas where our resources are most likely to have a meaningful and lasting impact. Prominent among our efforts are those that seek to close racial wealth gaps by boosting homeownership. We focus on homeownership and the scaffolding that supports purchasing and owning a home—such as access to capital, home appraisals, credit scoring, and loan approvals—because homeownership remains the largest source of family and individual wealth in America.

Throughout our country's history, discriminatory policies have denied homeownership opportunities for households of color and those living in underserved communities. Covenants barred prospective homeowners of color from owning or occupying a home, redlining graded neighborhoods based on presumed lending risks, and predatory lending practices targeted the financially vulnerable, making it nearly impossible for many to own a home and accrue wealth with it. Massachusetts was not exempt from that history but has been a national leader in helping people historically shut out of homeownership to purchase a home, through a number of state programs and policies.

This latest special report from Boston Indicators examines these efforts by the Commonwealth to increase homeownership: What is the current situation? What solutions have been tried? Who is at the table? What ideas deserve more attention?

A Long Road Home draws on qualitative and quantitative research to illustrate and assess good faith efforts to counter racial discrimination in homeownership. Significantly, it shows that the array of programs and policies that exists is often confusing to those seeking to buy a home. The report recommends ways to improve or expand on existing practices.

Increasing the scope and effectiveness of such efforts is of utmost importance, as erasing the racial wealth gap will benefit all of us. By one estimate, not eliminating the racial wealth gap has cost the American economy $16 trillion over the last 20 years. Closer to home, the Massachusetts Taxpayers Foundation estimated that closing the racial wealth gap in Massachusetts could raise the state GDP by $25 billion over the next five years. Closing the racial wealth gap means more money in the system for everyone—regardless of race or ethnicity. Expanding homeownership among people of color is a key catalyst for shrinking that gap, and the resulting increased community health and vibrancy in stabilized and flourishing neighborhoods enhances the region for all.

M. Lee Pelton, President and CEO
The Boston Foundation

"Expanding homeownership among people of color is a key catalyst for shrinking the racial wealth gap."

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Introduction

Every person deserves access to safe, affordable housing near where they work, learn, play, or worship. Such housing ought to be a given for every family living in a wealthy society like ours. So far, public policy in the United States has failed to ensure that; however, it has privileged homeownership, such that beyond serving as a foundation for basic household stability it is an instrument of wealth accumulation. People then often rely on housing wealth to pay for things like college, retirement, or starting a business. Furthermore, for generations the government structured pathways to homeownership in a way that systematically denied opportunities to Black households and other households of color. This has made homeownership into a vehicle for building economic security for many middle- and upper-income White families, while it's left behind far too many working class, especially Black and Brown, families who have struggled to get a toehold into homeownership.

There are important policy discussions to be had around shifting housing policy to deprioritize homeownership in service of building greater housing stability for all. But in this paper, we focus on near-term strategies for advancing greater racial equity in homeownership, given the system as it currently exists. At present, we have large racial homeownership gaps, and because housing wealth is so central to all forms of economic security in the United States, we think it's important to hone our strategies for boosting homeownership among families of color. We do not analyze affordable rental housing supports in this paper, but these too form a critical part of the broader ecosystem.

The report is organized into the following five sections:

- **Overview of Racial Discrimination in Homeownership**
- **Landscape Scan of Affordable Homeownership Programs**
- **Three Policy Design Questions**
- **Analysis of Key State Programs**
- **Findings and Policy Recommendations**

Throughout the report we look at the racial composition and targeting strategies of various programs. Most programs we analyze aim to boost economic and housing security for all low-wealth families in Greater Boston. In theory, these should disproportionately serve Black and Latino households, since systems of discrimination have left many families of color with lower incomes, lower wealth, and fewer opportunities to become homeowners. Some programs aim to target support more specifically for Black families with multigenerational ties to certain Boston neighborhoods, but these represent newer efforts in our region.

One final methodological note: The report includes both quantitative and qualitative components. To demonstrate the impact of the programs we analyze, we summarize program data shared with us from the organizations that implement them.

To better understand the context of those data and what's behind them, we conducted five focus groups with individuals across a few different points in the homebuying process, including:

- Community members who aspire to homeownership but are somewhat further from it;
- Prospective homebuyers who completed a first-time homebuyer class; and
- Homeowners who participated in key state programs.

We also conducted over a dozen interviews with housing advocates, realtors, lenders, and program administrators. The insights gathered through focus groups and interviews inform our findings and policy recommendations at the end of this report. And we include informative quotes from these discussions throughout the report.

Overview of Racial Discrimination in Homeownership

For many people homeownership has proven to be a valuable tool for building financial security and moving up the economic ladder. However, for many Black households, homeownership has been a long story of exclusion, false promises, and wealth extraction. While the rest of this paper focuses on strategies for unlocking the promise of quality homeownership for all, it is important to keep this sobering history in front of mind.

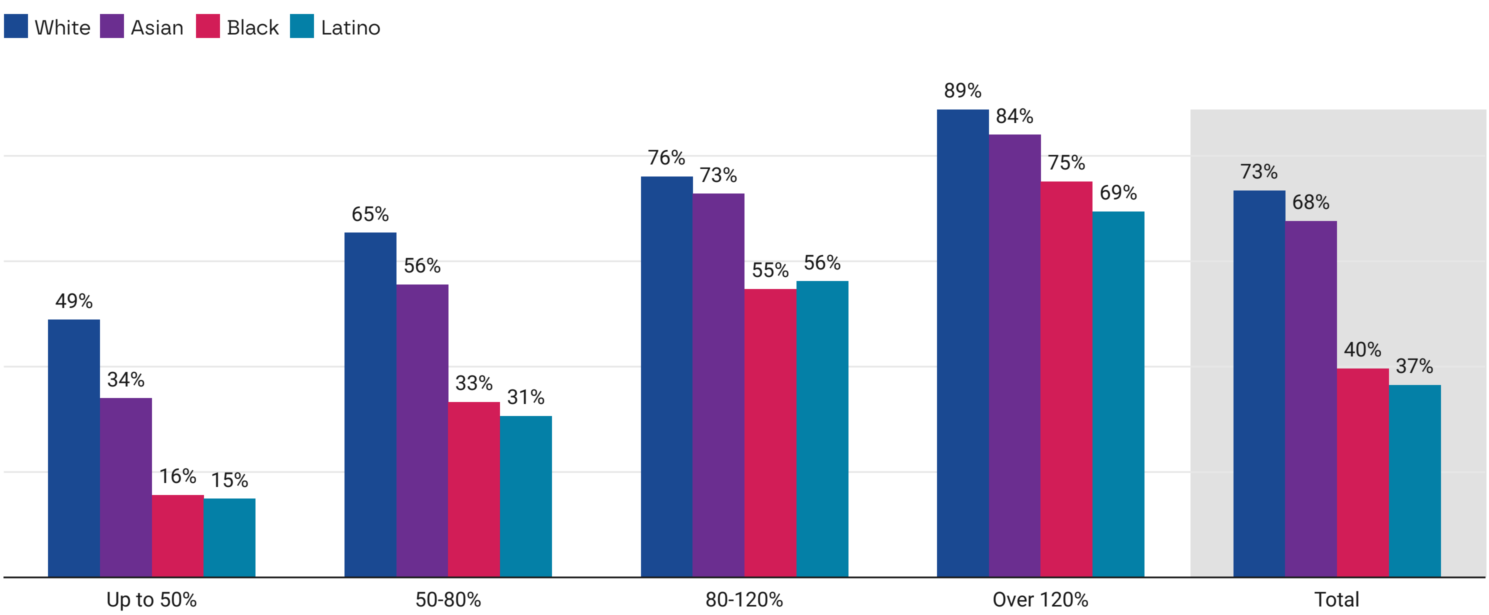
Myriad policies and practices limited Black households' access to the economic opportunities created by the federal government's early- to mid-century investment in homeownership and suburbanization. Perhaps the best-known example of this was the Federal Housing Administration (FHA)'s practice of "redlining" certain neighborhoods, making them essentially ineligible for federally backed mortgages. Before the 1948 United States Supreme Court case *Shelley v. Kraemer*, most Black families could not get home loans where they currently lived because their neighborhoods were deemed too risky, nor could they get home loans in the suburbs because there they themselves became the "risk."[1]

"I just don't have the down payment money and so I just let that dream go for a while until I'm ready to move out of state because when it comes down to it, I cannot afford a down payment in Massachusetts. No matter what city in Massachusetts."

– PROSPECTIVE HOMEBUYER

Fig. 1: Homeownership gaps are large, even when comparing families of similar incomes.

Homeownership rate by share of area median income and race/ethnicity. Householders 35 years or older. Greater Boston. 2021.



Note: White, Asian and Black include multiracial and Latino members. Latino populations include those selecting "Hispanic or Latino" regardless of race.

Chart: Boston Indicators. Graph inspired by the Harvard Joint Center for Housing Studies • Source: 2021 1-Yr American Community Survey. IPUMS, University of Minnesota, www.ipums.org.

“This is not pull yourself up by your bootstraps. We’re beyond that.... So many people are focusing on [closing the racial wealth gap] because it’s not a one person problem. It’s been a systemic problem.”

– MAHA ADMINISTRATOR

Real estate and lending industry practices and local zoning laws also contributed to the exclusion of Black households from homeownership opportunities created by government investment. Racially restrictive covenants were frequently written into deeds, restricting who could buy and own the house.[2] Real estate agents would “steer” Black families away from predominately White neighborhoods, only showing them homes in historically Black neighborhoods. Simultaneously, many municipalities adopted local zoning rules, dictating what types of housing could exist where and for whom, in order to exclude families by race, immigration status, and class.[3] Mortgage lending practices also contributed to Black household’s exclusion from homeownership. A 1992 Boston Fed study found, for example, that banks in the Boston area denied Black households at higher rates than White households and that “race still played a significant role in determining whose mortgage applications were approved and whose were denied.”[4]

At the same time, homeownership has often been a tool of wealth extraction from Black families. Denied access to conventional mortgages, for instance, many prospective Black homebuyers turned to “contract buying,” an exploitive loan in which the buyer did not gain any ownership until the contract had been paid in full.[5] In what Dr. Keeanga-Yamahtta Taylor describes as “predatory inclusion,” Black families were “granted access to conventional real estate practices and mortgage financing [after the Fair Housing Act], but on more expensive and unequal terms.”[6] Black homeowners were again targeted for predatory, subprime loans in the late 1990s and early 2000s following the deregulation of lending practices. In the ensuing foreclosure crisis, the median net worth of White families declined by 17 percent, while the median net worth for Black households dropped by 53 percent.[7]

Driven in large part by these discriminatory practices and policies, Black homeownership rates are significantly below White homeownership rates. Greater Boston has one of the largest racial homeownership gaps in the nation, with just 40 percent of Black and 37 percent of Latino households headed by an adult 35 years or older owning their homes, compared to 73 percent of White households. Unfortunately, these disparities remain even when comparing families of similar incomes (**Figure 1**).

While homeownership can be a promising tool for wealth accumulation, it is important to acknowledge the ways in which housing wealth functions differently for families of color, especially Black and Latino families. Homeownership has been proven to be a less effective wealth-building tool for Black households than it has been for White households. Houses in majority-Black neighborhoods appreciate at demonstrably lower rates than those in predominately White or racially diverse neighborhoods.[8] Discriminatory appraisals have led to the devaluation of many Black-owned homes, while at the same time Black homeowners are often overtaxed by local governments.[9]

“Decades and decades and decades of racist policies are what got us into this.”

– MASSHOUSING ADMINISTRATOR

Landscape Scan of Affordable Homeownership Programs and Policies

Federal, state, and local governments and philanthropic, nonprofit, and private partners run a variety of policies and programs aiming to make homeownership more accessible to low- and moderate-income (LMI) households (definitions vary, but in housing circles, "low-income" usually refers to those earning less than 50 percent of the area median income, or AMI, and "moderate-income" refers to those between 50 and 80 percent of AMI).[10] These programs range from offering lower-cost mortgage products to building new, affordable homes that will be sold at below-market-rate prices to qualifying families. This section begins with a landscape map of the array of interventions that exist in Massachusetts, focusing on demand-side interventions that directly support prospective homebuyers, and on supply-side interventions that support the creation of new homeownership units for income-qualifying families. We then walk through most major categories, explaining different programs and policies within each. It is important to note that, given the financial burdens and risks associated with homeownership, most of these programs are not available to low or extremely low-income households. Other housing supports are critical to ensuring housing stability for these families.

Demand-Side Interventions

Here we focus on interventions that work directly with prospective homebuyers, such as down payment assistance programs and affordable loan products. To make home loans more affordable than what is available on the open market, they all include some form of direct or indirect subsidy. Direct subsidies include things like cash grants for a down payment that rarely need to be paid back. Indirect subsidies include things like banks or the Federal Housing Administration providing credit access to borrowers who might not otherwise qualify for a loan. Over the long haul, some of these loans may default, potentially costing the lender money, but they're willing to take on this risk to expand access to new groups of homebuyers.

AFFORDABLE MORTGAGE PRODUCTS

Affordable mortgage products help make homeownership accessible to prospective LMI homebuyers by 1) helping individuals who might not otherwise qualify for a mortgage on the open market to get one by, for example, allowing a higher loan-to-value ratio or modifying credit score requirements, and/or 2) offering subsidies, like mortgage rate discounts, that actually make the mortgage cheaper than market-rate ones. Notable programs include:

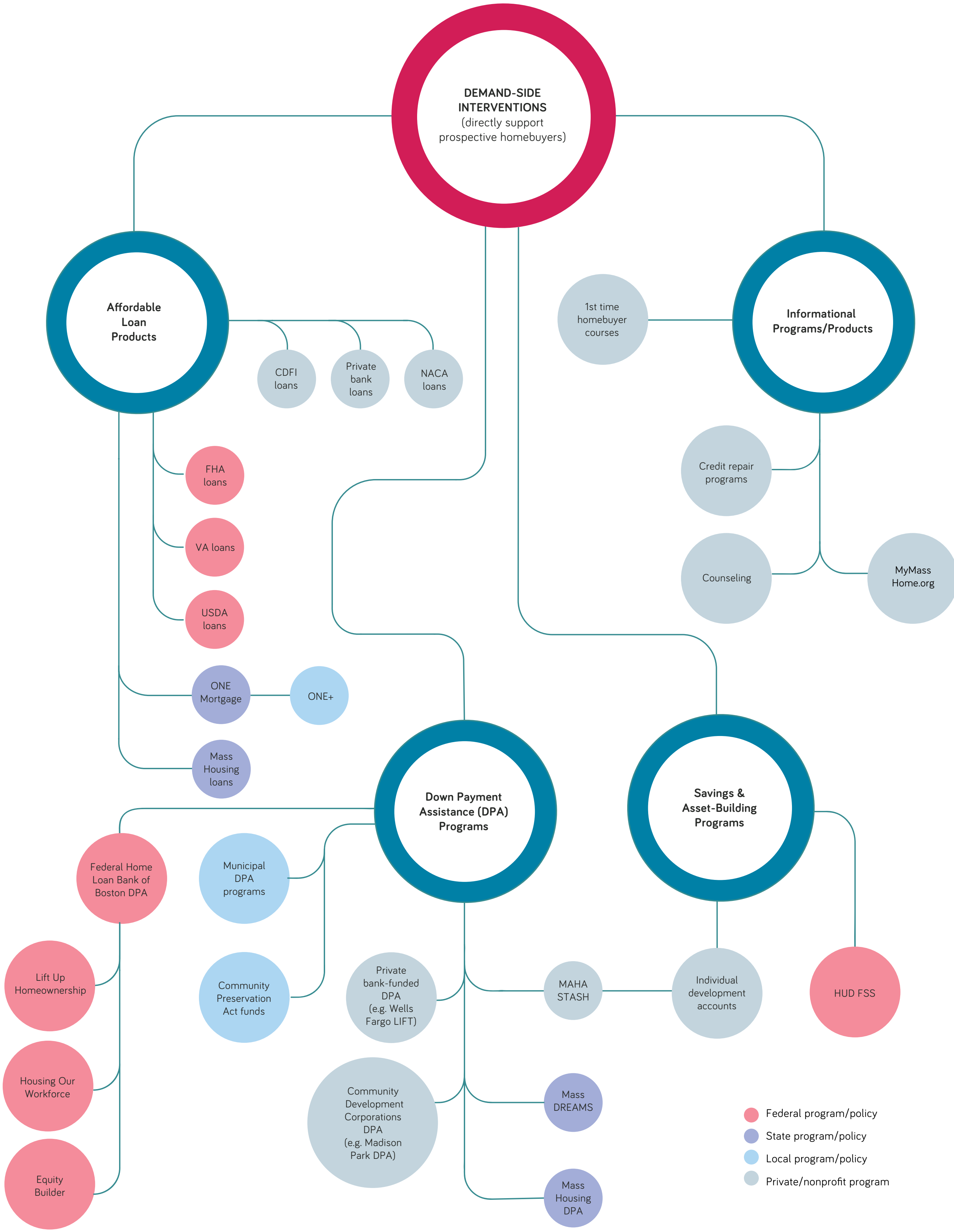
• ONE Mortgage: *Detailed program profile in Analysis of Select Homeownership Support Programs section.*

• MassHousing Mortgages: *Detailed program profile in Analysis of Select Homeownership Support Programs section.*

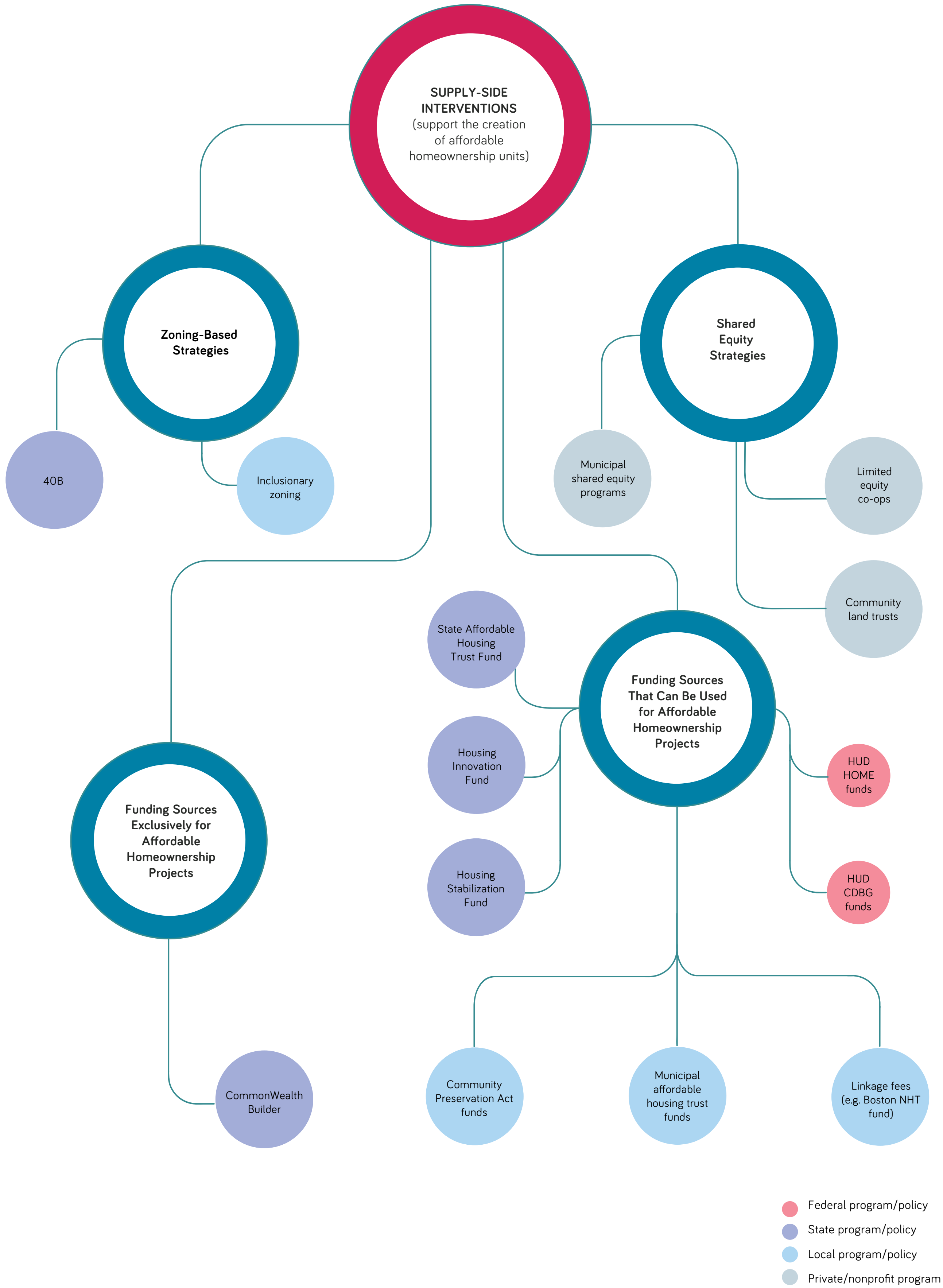
• Federally Backed Mortgage Products: The federal government supports several affordable loan products that are issued by private lenders but offer modified underwriting requirements and a lower down payment due to insurance provided by government agencies. These include Federal Housing Administration (FHA), Veteran's Administration (VA), and Department of Agriculture (USDA) loans. Down payment size and minimum credit scores vary by agency, but all require private mortgage insurance at an additional cost to borrower. Approximately 10,000 households in Massachusetts received an FHA loan in 2020, accounting for 13 percent of home loans originated in the state. VA and USDA loans accounted for 4 percent and less than 1 percent of loans, respectively.[11]

• Private Bank and Community Development Financial Institution Loans: Some private banks and community development financial institutions offer their own loan products to low- and moderate-income homebuyers. For example, Bank of America offers the Affordable Loan Solution mortgage through its Community Homeownership Commitment program. Bank of America also

Landscape Map of Affordable Homeownership Policies and Programs



Landscape Map of Affordable Homeownership Policies and Programs



sponsors Neighborhood Assistance Corporation of America (NACA) loans that do not require a down payment or private mortgage insurance and offer a below-market interest rate. In addition, NACA works with LMI prospective homebuyers to become mortgage ready and Bank of America pays for the closing costs.[12]

DOWN PAYMENT ASSISTANCE PROGRAMS

Most lenders require an initial down payment of 3 to 20 percent of a home's purchase price to receive a loan. Since this translates into tens of thousands of dollars in our regional housing market, the lack of sufficient cash savings to make a down payment is among the biggest barriers families face, even those with moderately high monthly income streams. Down payment assistance (DPA) programs are grants or loans that help families get over this initial cash hurdle. DPA programs are administered at the state and local level and by both private and public actors. If DPA is offered as a loan, it is often not due until the home is sold or refinanced, and frequently is structured such that the loan is forgiven after a set period of owner-occupancy. Some notable programs in the state include:

• MassDREAMS: *Detailed program profile in Analysis of Select Homeownership Support Programs section.*

• MassHousing Down Payment Assistance: The Massachusetts Housing Finance Agency (MassHousing) offers several DPA programs for income-qualifying, first-time homebuyers who use a MassHousing loan. MassHousing's Workforce Advantage 3.0 program provides assistance of up to 10 percent of the purchase price or up to $50,000, whichever is less, for income-eligible applicants who purchase their home in a Gateway City or Boston or up to $30,000 for income-eligible homebuyers in all other Massachusetts localities. Workforce Advantage 3.0 is structured as a second, zero percent deferred payment loan that is only due upon sale, refinancing, or when the first mortgage loan is paid in full. Prospective homebuyers who don't qualify for Workforce Advantage 3.0 may still be eligible for up to 5 percent of the purchase price or $15,000 in DPA, whichever is less, structured as a 15-year fixed-rate loan with a 2 percent interest rate that requires monthly payments and is due in full upon sale or refinancing.[13]

• Federal Home Loan Bank of Boston (FHLBank Boston) Down Payment Assistance Programs: FHLBank Boston offers two DPA programs to LMI homebuyers, Housing Our Workforce (HOW) and Equity Builder Program (EBP). HOW provides up to 10 percent of the sale price or $25,000, whichever is less, in down payment and closing cost assistance to homebuyers who earn between 80 and 120 percent of the area median income (AMI), while EBP provides funds that can be used for down payment, closing cost, or rehabilitation assistance to households earning more than 80 percent of AMI. In Summer 2023, FHLBank Boston also announced a new DPA program, Lift Up Homeownership, that specifically targets homebuyers of color who earn up to 120 percent of AMI. Homebuyers eligible for the pilot program can receive up to $50,000 in down payment and closing cost assistance. Grants for FHLBank's DPA programs are made when borrowers close on mortgages with one of their member institutions. As a government-sponsored enterprise, FHLBank Boston is required to contribute a share of its annual income to its Affordable Housing Program, which funds HOW, EBP, and LUH.[14] As such, the amount available to borrowers for DPA may shift each year depending on the FHLBank Boston's performance.

• Municipal Down Payment Assistance Programs: Many cities and towns throughout the state offer local DPA programs to help first-time homebuyers. Funding, eligibility, and repayment guidelines vary by program.

• Private Bank-Funded Down Payment Assistance: An increasing number of large financial institutions are offering DPA and closing cost assistance programs to LMI and first-time homebuyers. Bank of America, for example, offers its America's Home Grant program in Massachusetts, providing some income-eligible homebuyers with a grant of up to $7,500 that can be used to cover closing costs or some recurring costs, such as buying down the interest rate, but not down payments. It offers a separate DPA program that provides a grant of up to 3 percent of the purchase price or $10,000, whichever is less, to first-time homebuyers in specific geographic areas, including Middlesex and Suffolk counties. Wells Fargo and NeighborWorks America run a similar program, NeighborhoodLIFT, which began as a part of Wells Fargo's 2012 settlement with the U.S. Justice Department for predatory lending targeting minority communities.

• Boston Housing Authority First Home Program: The City of Boston Mayor's Office of Housing partnered with the Boston Housing Authority to start the First Home Program that provides eligible BHA residents with up to $75,000 of down payment assistance to purchase a home within Boston. In addition to down payment assistance, BHA Section 8 voucher residents are able to continue to use their housing subsidy toward mortgage payments for up to 15 years through the Section 8 Homeownership Program.[15]

SAVINGS AND ASSET-BUILDING PROGRAMS

Asset-building programs help LMI families save funds for long-term goals, such as a down payment, and short-term needs, such as emergency medical bills. Having even a small savings account can provide a cushion from financial shocks and help attain the economic security needed to begin building wealth. Asset-building programs provide financial literacy training and coaching and some, like matched savings programs, provide an incentive to save by contributing public or philanthropic dollars to families' accounts. Some examples of asset-building programs available in Massachusetts include:

• Family Self-Sufficiency (FSS) Program: The federal Department of Housing and Urban Development (HUD)'s FSS program helps public housing residents and families who receive HUD-funded rental assistance to increase their earnings and long-term savings. Participants receive employment and financial coaching to help them increase their earning and saving potential. When their incomes rise, the additional money they would have paid in rent is instead diverted to a savings account that they can access after graduating from the program. This removes the "cliff effects" associated with earning more and incentivizes growing one's income.

• Savings Toward Affordable Sustainable Homeownership (STASH): *Detailed program profile in Analysis of Select Homeownership Support Programs section.*

INFORMATIONAL PROGRAMS AND PRODUCTS

Buying a home is a complicated process that can be opaque, difficult to navigate, and risky. Free or low-cost informational programs and products help prepare first-time and low- to moderate-income (LMI) homebuyers navigate the homebuying process. This can include pre-purchase counseling or coaching, credit education, and access to supports such as legal services. It can also include post-purchase counseling to help homeowners manage and maintain their home, understand the costs associated with homeownership, and avoid predatory lending practices they may encounter. Some examples include:

• First-Time Homebuyer Courses: In Massachusetts, first-time homebuyer classes are required to access state-supported subsidized loan products and down payment assistance programs, as well as many municipally administered support programs. These courses are run by a network of local community development corporations and nonprofits. The pre-approved curriculum follows the entire homebuying process, and includes visits from local real estate agents, mortgage brokers, and appraisers.

• MyMassHome.org: Maintained and administered by the Citizens' Housing & Planning Association (CHAPA), MassHousing, and MHP, MyMassHome is a new online clearinghouse for information on the homebuying process in Massachusetts. It includes information about local homebuyer education courses, down payment assistance programs, and affordable loan products, in addition to a database of deed-restricted affordable homes available for sale in the Commonwealth.

> "We can talk about these programs, but if we don't have anything for [participants] to buy, we won't close the racial wealth gap."
>
> **– REALTOR**

Supply-Side Interventions

Supply-side interventions support the creation of housing units that are available at below-market-rate prices to qualifying low- or moderate-income households. For the purpose of this paper, we do not explore market-rate supply side interventions, although they are also critical for reducing housing costs overall. Income-restricted supply-side strategies can include development subsidies for the construction of new owner-occupied housing, policies that incentivize development of new affordable units (e.g., inclusionary zoning), or shared equity strategies (e.g., community land trusts). The resulting units are offered to families that meet certain income and asset eligibility requirements at below-market-rate prices. Often, the developed units contain permanent, long-term, or short-term deed restrictions that limit to whom and for how much the unit can be resold.

FUNDING SOURCES THAT CAN BE USED TO DEVELOP HOMEOWNERSHIP UNITS

Federal, state, and local governments offer a number of programs that can be used to subsidize the development of below-market-rate housing units for sale to qualifying families. Funds are disbursed through a range of government agencies and provide subsidy at different points in the development pipeline. Building owner-occupied units is an allowable use for each of these funds, but none exclusively target constructing affordable homeownership units. In practice, these funds are often used for subsidizing the construction of rental housing.

• Federal Funds: The federal government maintains several grant programs that can be used by state and local governments to fund the construction of affordable homeownership units, the largest of which are the HOME Investment Partnership (HOME) and the Community Development Block Grant (CDBG) programs. Both are "block grant" programs, awarding a pre-determined amount of funds to the state and larger municipalities. CDBG funds are intended to support LMI communities and can be used for a wide range of activities, from job training programs to constructing new housing. HOME funds are limited to providing affordable housing to LMI households but similarly can be used for supporting rental or owner-occupied housing.

• State Funds: Massachusetts maintains two state-supported funds that can be used to support the development of affordable homes: the state Affordable Housing Trust Fund and the Housing Stabilization Fund. These programs are administered by the state with funding from bonds approved by the state legislature.[16]

Local Funds: Many cities and towns in Massachusetts operate their own affordable housing trust funds that, like the state-run trust fund, can be used to support rental or owner-occupied housing. Money for local trust funds can come from developer linkage fees or inclusionary zoning fees that allow developers to pay into these funds in lieu of building inclusionary units on-site. Such programs are far more common and impactful in larger, higher-wealth communities, or those with expanding real estate markets where funds can be extracted from new development. Many cities and towns have also passed the Community Preservation Act that allows them to impose a property tax of up to 3 percent to support open and recreation space, historic preservation, and affordable housing.

FUNDING SOURCES EXCLUSIVELY FOR AFFORDABLE HOMEOWNERSHIP PROJECTS

CommonWealth Builder (CWB) is currently the only state fund whose exclusive purpose is to support the construction of new homes for moderate-income households to purchase. CWB provides market-based subsidies to single-family and condominium projects in Boston, the Gateway Cities, and other qualifying census tracts with large communities of color. CWB is profiled in greater detail in Section Three.

ZONING-BASED STRATEGIES

In addition to funds to subsidize development costs, several policies allow for or incentivize the creation of deed-restricted affordable homeownership units by private developers.

• 40B: *Detailed program profile in Analysis of Select Homeownership Support Programs section.*

• Inclusionary and Incentive Zoning: Increasingly common in high-demand urban areas, incentive zoning allows developers to build more units of housing than are allowed through existing zoning rules in exchange for setting aside a share of those units at below-market prices. Inclusionary zoning can similarly provide a zoning incentive, like allowing for greater density, but is mandatory, requiring that developments above a certain size make a portion of units affordable to LMI households. In Cambridge, for example, market rate developments with 10 or more units must set aside 20 percent of the floor area for moderate-income homebuyers.[17] State law allows cities and towns to draft and pass inclusionary or incentive zoning (IZ) ordinances. It is important to note that the passage of IZ does not guarantee that any new affordable housing actually gets built. In fact, oftentimes other zoning provisions limit housing construction to such a degree that few qualifying multifamily housing projects ever get built. The 40B approach, by contrast, provides a mechanism for bypassing restrictive local zoning rules, thereby proactively ensuring that a minimum baseline of affordable housing can get built.

SHARED EQUITY STRATEGIES

Shared equity housing models allow LMI families to purchase a home at below-market prices in exchange for limiting their potential capital gains when the home is resold. Deed restrictions specify who the home can be sold to and at what price, thus preserving affordability for future buyers. The most common shared equity housing models are deed-restricted properties, such as those produced using the public funds or programs listed above, community land trusts, and limited equity cooperatives. They are referred to as "shared equity models" because the risks, rewards, and responsibilities of homeownership are shared between the homeowner and a nonprofit or government entity that administers the program.[18]

• Community Land Trusts: Community land trusts (CLT) are nonprofit, community-based organizations that acquire land in a given area and make it available to uses that benefit a targeted community. CLTs often rely on philanthropic and governmental funds to purchase new land at market prices or receive land as donations from private or governmental sources. The land may already contain housing units or the CLT may develop affordable housing on it, on its own or with partners. CLT homes are available at below-market-rate prices because the CLT retains ownership of the *land*. When income-qualifying families purchase a CLT home, they agree to a long-term ground lease paying a nominal fee to lease the land under the house, often for 99 years at a time. The ground lease includes resale restrictions, allowing the homebuyer to earn a limited amount of equity at resale while still preserving below-market prices for future buyers. CLTs will often provide financial coaching and other resources to support homeowners.

• Limited Equity Co-ops: Limited equity cooperatives (LECs) are another form of shared ownership in which a homebuyer purchases a share of the cooperative, rather than an individual unit. Like CLTs, an initial subsidy is typically put in to acquire the property and/or develop the housing units and the subsidy is then "preserved" through restrictions on future sale. When an owner chooses to sell, they sell their share back to the LEC, which then distributes it to another qualifying family.[19] LECs are typically used in multifamily apartment buildings and are more common in cities like Washington D.C. and New York.

• Municipal Shared Equity Programs: An increasing number of cities and towns maintain their own shared equity housing programs through which they steward a network of resale-restricted properties. Cities and towns can use public funds, such as money from a local affordable housing trust fund, to purchase viable housing, rehabilitate housing units, or develop new housing units in return for adding long-term deed restrictions to limit equity accumulation for homebuyers and preserve affordability. Cambridge, for example, has the HomeBridge program that provides substantial financial assistance to moderate-income prospective homebuyers, in exchange for placing a long-term resale restriction on the property. Cambridge also maintains a "Homeownership Resale Pool" of more than 500 deed-restricted homeownership units in the city available to families with lower incomes than required for the HomeBridge program.

Three Policy Design Questions

As we talked with program administrators and participants during our research, several tough policy design tensions emerged. We describe three of them below. In many cases there are unavoidable tradeoffs that we need to make between competing interests. But our hope is that by naming these questions we as a Commonwealth can at least make better-informed choices.

INDIVIDUAL AND COMMUNITY WEALTH: HOW TO PRIORITIZE SCARCE SUBSIDY DOLLARS?

Many people purchase a home as a tool for wealth accumulation for the next generation. At the same time, many families in Greater Boston are being priced out of their communities due to increasing housing costs. This leaves policymakers with a tension between prioritizing public funding for strategies that build individual wealth and those that maintain stability and affordability for the broader community. Strategies like deed restrictions can play an important role in maintaining affordability for communities and for future generations. However, they can also keep families from fully benefiting from the market appreciation of their home's equity.

Affordable homeownership units built with public funds typically include a deed restriction to make public money go further by providing affordable homeownership opportunities to more than just the first homeowner. Take, for example, a home built with state subsidies that is sold to a moderate-income homebuyer for $250,000 in 2010. If the homeowner wants to sell the home in 2020, how much money they could pocket depends on any deed restrictions that might be on the home. If there is a deed restriction, it will dictate how much the homeowner can sell the unit for. For example, the sale price might be limited to the initial sale price ($250,000) plus a set appreciation return (20 percent), for a total sale price of $300,000. If the market value of the home had grown to $500,000, the deed restriction would ensure the home is sold below this market rate to another income-qualifying family. The home would thus remain "affordable," and the current owner would accumulate wealth ($50,000), albeit less than an unrestricted sale would yield, plus any amount paid down on their mortgage over the 10 year period. If there were no deed restriction, by contrast, the homebuyer could sell it at market rate ($500,000) and keep all the sale proceeds. In that case, the unit would no longer be considered affordable for future homebuyers, but the current owner would have accumulated substantially more wealth ($250,000). Other resale restrictions are structured around the Area Median Income (AMI), capping the price at a point that is affordable to homebuyers earning a certain share of AMI.

In housing program design, this question can be polarizing, often feeling like a choice between individual wealth building and community affordability. Both of these are important components of homeownership, and the field must continue to grapple with how to balance the two seemingly conflicting priorities.

WHICH GEOGRAPHIES SHOULD BE TARGETED?

Development subsidies go further in low-cost markets and can help stabilize and preserve existing communities by providing greater assistance in lower-wealth communities where residents currently reside. And yet, this practice can reinforce longstanding patterns of segregation by race and class, particularly in the case of development subsidy programs that could instead be deployed to create affordable homeownership opportunities in higher-wealth, suburban areas. Further, offering subsidies or supports exclusively in low-wealth areas could spur economic development and reinvestment in historically underserved areas, but could also accelerate rising housing costs and the displacement of the lowest wealth residents who may be unable to benefit from the new homeownership opportunities created.

HOW TO TARGET BY RACE?

Persistent public policy discrimination has led to the stark disparities in racial homeownership rates that we see today. Despite the need for reparative policies to increase Black homeownership rates, many policy makers have been reluctant to pursue policies that explicitly target by race. Two major policy design challenges emerge when pursuing race-targeted strategies: How to thoughtfully target by race in a way that remains legal and who should be eligible to benefit from these policies?

Policy makers often hesitate to advance policies that explicitly target by race because they are afraid doing so may violate fair housing or other laws. Many programs opt instead to narrow eligibility to households currently living within geographic areas that have a higher share of Black residents (such as MassDREAMS) or to households that earn low to moderate incomes and are more likely to be Black (such as ONE). Similarly, programs will often conduct pro-active outreach and target marketing specifically to Black homebuyers or other prioritized communities. The Massachusetts Affordable Housing Alliance, for example, uses the designation "first-generation homebuyers" to specifically target those that have been excluded from homeownership across *generations*. This eligibility approach paired with MAHA's longstanding roots in

Boston's neighborhoods has resulted in nearly 90 percent of participants in their STASH program being either Black or Latino. But it still has left the door open for families of other races to apply if they have demonstrated need.

At the same time, there is a growing movement to design policies that are explicitly targeted to Black homebuyers, reflecting the fact that the worst forms of racial discrimination in housing policy were primarily directed against Black families. While the Fair Housing Act prohibits housing discrimination on the basis of race, religion, sex, nationality, familial status, or disability, it allows for programs that seek to remedy harms caused by previous discriminatory practices in housing sales or mortgage lending. Similarly, the Equal Credit Opportunity Act allows for banks to establish "Special-Purpose Credit Programs" (SPCPs) that aim to meet the credit needs of a specified class of persons.[20] SPCPs have existed around the country for some time, but are becoming more popular.[21]

The new Homes for Equity (HFE) pilot in Roxbury is an instructive example. HFE began with a concerted research project to document the history of housing discrimination in Roxbury and build a legal argument for race-specific eligibility criteria for the sale of new homeownership units. HFE's goal is to create a unique new program that will redress racial discrimination in Boston directly by making newly constructed homeownership units available exclusively to Black families with demonstrated multigenerational family ties to Roxbury.

Targeting specifically by race in this way leads to another policy design tension: Who should be eligible for these programs? Race-targeted assistance can help ensure that scarce subsidy dollars reach families who have been most harmed by state-sponsored racial discrimination. But determining which racial (or ethnic) groups should be eligible while also serving the needs of broader populations can be a challenge. When we look at current homeownership rates in our region, the gap between Latino and White homebuyers is even greater than the gap between Black and White homebuyers.[22] Though White families are by far the most likely to receive an inheritance, Latino households are less likely to receive an inheritance than Black households.[23] At the same time, we know that many of the historic barriers to homeownership were explicitly anti-Black. Should race-targeted strategies support groups who currently have low racial homeownership rates like, for example, the Federal Home Loan Bank of Boston's Lift Up Homeownership pilot program that provides down payment and closing cost assistance to all borrowers of color, including Asian and Latino families?[24] Or, as with Homes for Equity, should the focus be specifically on multigenerational Black families who were subjected to the worst periods of housing-based discrimination?

Analysis of Select Homeownership Support Programs

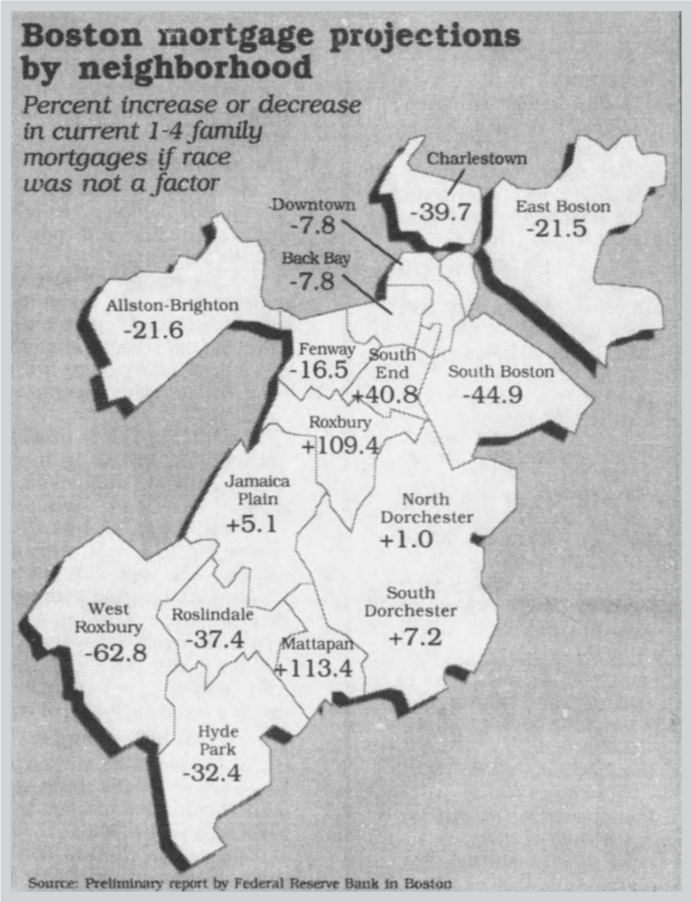
Combining findings from administrative data, interviews with program administrators, focus groups with program participants, and publicly available data, this section dives deeper into a few key programs, analyzing who they're reaching and what they cost. These programs have a broader reach than most municipal-run or private programs and, in many cases, are unique nationally. Specifically, we look at:

- Affordable Mortgage Products
    - ONE Mortgage and ONE+ Boston
    - MassHousing loans
- Down Payment Assistance Programs
    - Saving Towards Affordable Sustainable Homeownership (STASH)
    - MassDREAMS
- Development Incentives
    - CommonWealth Builder
    - Chapter 40B: Massachusetts' Comprehensive Permit Act

Many of these programs are designed to serve people with lower levels of income and wealth who are buying a home for the first time (i.e., "first-time homebuyers") or are the first in their family to do so (i.e., "first-generation homebuyers"). These eligibility criteria should, at least in theory, reach more Black families and other families of color since systems of discrimination have left many with lower incomes, lower wealth, and fewer opportunities to become homeowners. Ultimately, the costs and populations served vary greatly, presenting important insights for how to increase access to homeownership in our high-cost state. Despite the severity of our housing shortage, Massachusetts already has several strong, state-level programs working to make homeownership tangible for LMI households and a solid foundation to continue building homeownership opportunities in the Commonwealth.

Affordable Mortgage Products

Buying a home and then sustaining homeownership can be a big financial challenge, especially in a high-cost region like Greater Boston. One way that we can help families on the margin of being able to afford homeownership is to offer special mortgage products that individuals with a lower income and a smaller down payment can access. Massachusetts is unique in having two quasi-public agencies that offer "high-touch" affordable mortgage products with meaningful savings to qualifying families. While both agencies serve an increasingly large share of homebuyers of color, each maintains different mortgage products with distinct designs and histories. Ultimately, mortgage products serving a range of incomes are needed to meet the needs of Black homebuyers and help close the racial homeownership gap.



SOURCE: THE BOSTON GLOBE. JANUARY 11, 1989.

ONE MORTGAGE AND ONE+ BOSTON

History of ONE Mortgage & ONE+ Mortgage

In 1989, an unpublished report from the Federal Reserve Bank of Boston that detailed patterns of racial bias in mortgage lending leaked to local news media. The report showed evidence of pervasive lending discrimination, putting numbers behind a fact that community members had long known—it was a lot harder to get a mortgage in a predominately Black neighborhood than a predominately White one. The draft report found, for instance, that "if banks and thrifts competed with equal aggressiveness in white and minority neighborhoods, they would make 'far fewer loans in predominantly white neighborhoods… and would have more than doubled their actual number of mortgage loans in the predominantly black areas of Mattapan/Franklin Park and Roxbury.'"[25] The Massachusetts Affordable Housing Alliance's (MAHA) recently created Home Buyers Union began an intense organizing campaign to hold banks accountable, not just to their Community Reinvestment Act (CRA) commitments but also their moral obligations to serve the communities in which they operated. With a labor union, two community development corporations (CDCs), and two neighborhood groups, the Homebuyers Union formed a new coalition that developed a community reinvestment plan and pressured banks to come to the negotiation table.[26] The result of this robust community organizing was a new affordable mortgage program to be administered by the Massachusetts Housing Partnership (MHP)—the SoftSecond program.

While redlining in the U.S. circumscribed communities that were to a large extent left out of mortgage lending, the SoftSecond program sought to serve as an "anti-redlining program," correcting some of those injustices by extending affordable homeownership opportunities to those who had been left out. Notably, the SoftSecond program included an interest rate discount that was to be funded by the banks themselves.

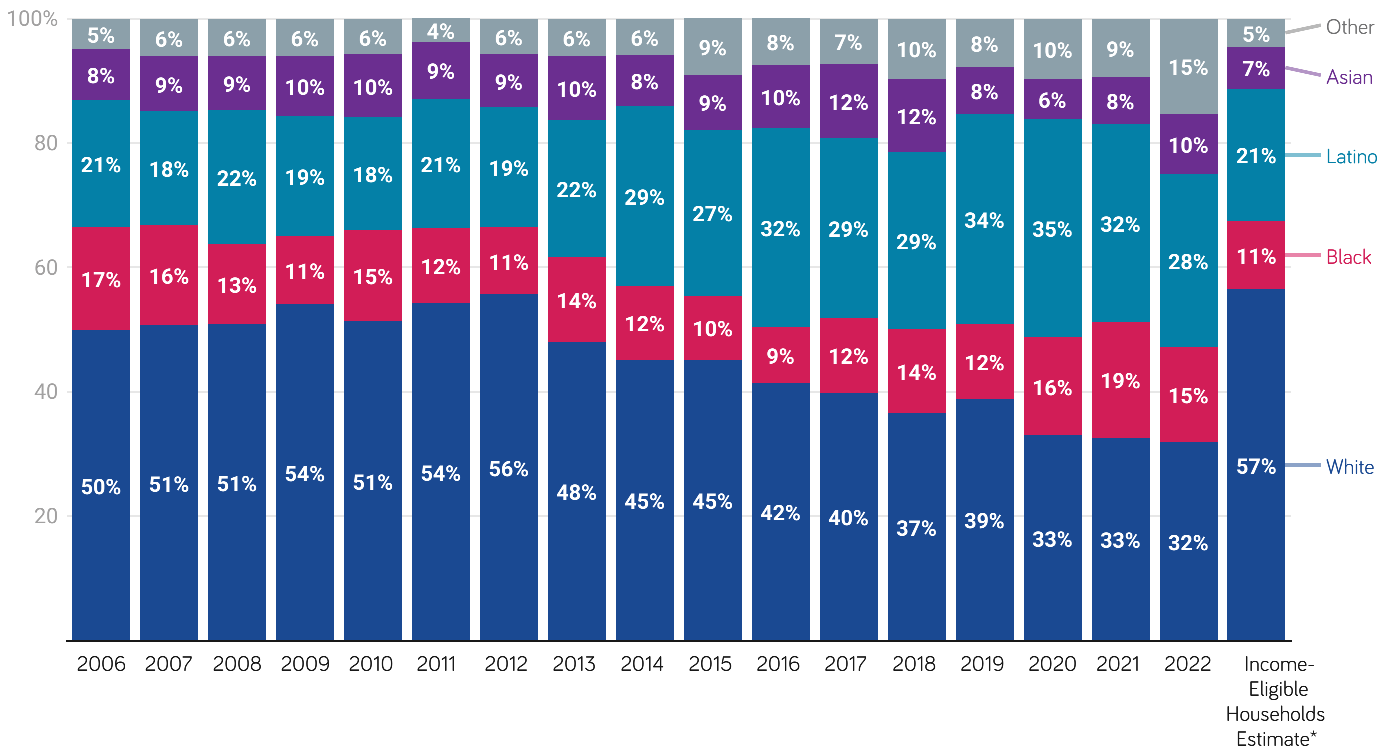
In 2013, MHP replaced SoftSecond with ONE Mortgage, maintaining the same affordability features and simplifying the structure of the loan.[27] Since then, the ONE program has grown to include a special partnership with the City of Boston. Launched in 2020 with funds generated by the City's Community Preservation Act, the ONE+ program builds on ONE Mortgage to offer even deeper mortgage subsidies and down payment and closing assistance to Boston residents.

Program Structure & Eligibility

ONE Mortgage is a 30-year, fixed interest rate loan with a minimum 3 percent down payment. It is available to Massachusetts households who earn 100 percent or less of the area median income (e.g., up to $153,650 for a household of four in the Boston metro area in 2023), have less than $75,000 in total household assets, a credit score of at

Fig. 2: Since 2013, the majority of ONE Mortgage participants have been homebuyers of color.

Share of ONE Mortgage loans going to White, Black, Latino, Asian and Other borrowers by year the loan was originated, compared to renter households that earn below ONE's income cap.* Massachusetts.



Asian, Black, and White are single-race, non-Latino only. Latino can be of any race.
*Estimate based on the share of households who, based on their household size, fall below the most generous of ONE's 2023 income caps. Income caps vary by geography, so the highest value for each household size was used. Calculated using 2017-2021 ACS PUMS data.

Source: Massachusetts Housing Partnership; 2017-2021 American Community Survey 5-year Public Use Microdata Sample least 640, and have not owned a home in the past three years. Unlike other low down payment mortgage products, ONE does not require the homebuyer to purchase private mortgage insurance. Instead, MHP maintains a publicly funded loan loss reserve to reduce lender risk. ONE offers a discounted interest rate to all borrowers and an additional interest rate subsidy to income-qualifying families. The 30-basis point (0.3 percentage point) interest rate discount is covered by the lending institution and helps lower monthly interest payments for all borrowers. Additionally, families that earn below 80 percent of the area median income qualify for state-funded interest rate subsidy for the first seven years of homeownership. This subsidy further lowers monthly payments for lower-income borrowers, helping households qualify for ONE when they might not otherwise and relieving monthly cost pressures early in homeownership when the owner may face unexpected repairs. The subsidy is paid back at zero percent interest when the property is resold or transferred.

Costs of and Funding for ONE Mortgage

The cost of subsidizing the ONE Mortgage program is largely covered by lending commitments from private financial institutions that take on the cost of the interest rate discount. Aside from general administrative expenses, the cost to the state to offer ONE includes two major items: 1) money to pay for the loan loss reserve, and 2) monthly payment subsidies for the additional interest rate subsidy for households below 80 percent area median income. These are funded by the state's Affordable Housing Trust Fund with additional funding for ONE+ coming from the City of Boston.[28] Loan loss reserve funds are budgeted to insure financial institutions against the risk of a customer defaulting on their loan. This state-provided benefit provides additional incentive for financial institutions to offer a ONE Mortgage product to LMI homebuyers.[29]

Overall, ONE Mortgage is offered at a very low cost, per household, to the state. Because the monthly subsidy for income-qualifying families is almost fully recovered by MHP, the primary cost to the state is the loan loss reserve set aside. An average of $2,600 per household has been budgeted in MHP loan loss reserves since the ONE Mortgage program began, so we can consider that to be a back-of-the-envelope estimate of the net cost per household of the ONE Mortgage program. This figure does not include administrative costs.

Demographic & Financial Characteristics of Borrowers

Since its inception in 2013, the ONE Mortgage program[30] has helped more than 6,800 households get approved for a home loan. If we include its predecessor, the SoftSecond loan program, more than 23,000 households have been approved for an MHP mortgage product. The median one-person household served by ONE Mortgage has an income of $54,900, significantly below the median income for all one-person households statewide, about $71,400. SoftSecond and ONE have been used in 299 communities statewide, and most heavily used by homebuyers purchasing in Boston, Lawrence, and Springfield.

As with many LMI homebuyer programs, there are no race-specific eligibility requirements, but MHP has been successful in serving communities of color under this program. Using the 2017–2021 American Community Survey we estimate that, statewide, approximately 57 percent of renter households under ONE's income caps are White, 21 percent are Latino, 6 percent are Asian, and 11 percent are Black. In contrast, 32 percent of ONE Mortgage participants in 2022 were White, 28 percent were Latino, 10 percent were Asian, and 15 percent were Black. ONE has steadily diversified its client pool and, since 2013, the majority of households served have been households of color (**Figure 2**).

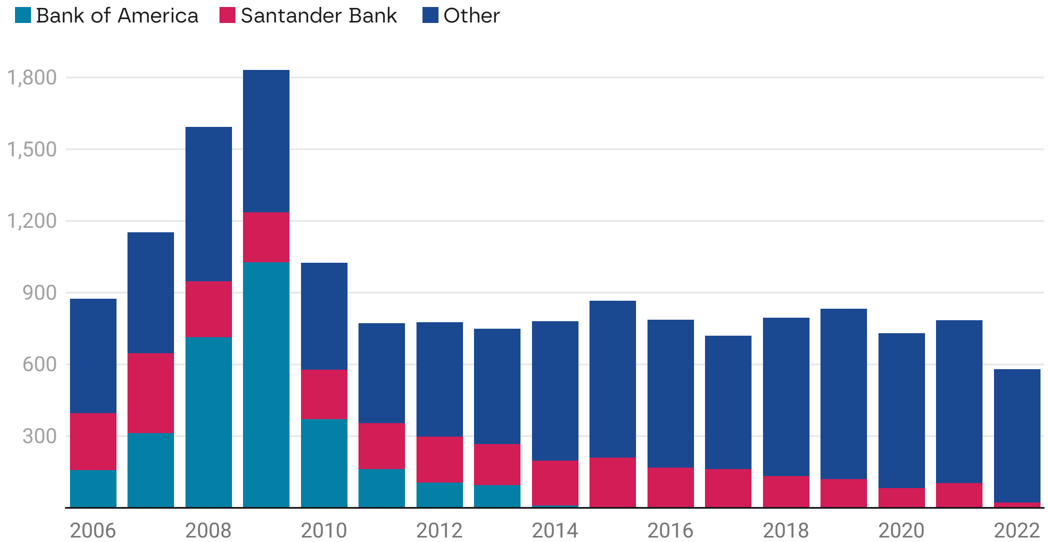
Role of Financial Institutions

Lending commitments from financial institutions are critical to the sustainability of ONE Mortgage. Even though MHP conducts its own outreach and engagement efforts, many prospective homebuyers learn about their mortgage options through whatever financial institution they first approach when seeking a loan. The more financial institutions that offer ONE, the more clients the program is likely to identify and serve. This is especially true of big banks that have a large footprint throughout Massachusetts. Their impact on ONE loan volume can be seen in **Figure 3**, which shows loan count by financial institution from 2006 until 2022. Bank of America made up a large share of loans that the ONE Mortgage program was able to close, especially during the 2009 financial crisis. At the height of its participation in 2009, Bank of America closed 56 percent of ONE Mortgage's loans. When Bank of America's participation finally ended in 2015, loan volume had dropped by 53 percent since 2009. Santander Bank pulled out of mortgage lending completely in February 2022, and thus no longer offers ONE (or any other mortgage) to its customers. Santander discontinued mortgage lending due to decreased profitability in the mortgage market, since the Federal Reserve's post-pandemic interest rate hikes negatively impacted mortgage demand. At its peak in 2007, Santander bank closed 29 percent of ONE's loans.

Financial institutions are incentivized to participate in ONE by the Community Reinvestment Act (CRA), but participation in ONE Mortgage is not the only way that they can fulfill their CRA obligations. Instead of continuing its partnership with the ONE Mortgage program, for example, Bank of America instead developed its own affordable mortgage program available in designated markets. Finding ways to incentivize participation from large financial institutions and encouraging existing lenders to do more lending is critical to ONE Mortgage's growth and long-term sustainability.

Fig. 3: ONE Mortgage loan volume fell significantly after large banks stopped participating in the program.

ONE Mortgage loans originated by Bank of America, Santander Bank, N.A., and other financial institutions by year.



Source: Massachusetts Housing Partnership

MASSHOUSING LOANS

History of MassHousing Loans

The Massachusetts Housing Finance Agency, known as MassHousing, was founded in 1966 by the state legislature in response to findings from a 1965 special commission on low-income housing. Like other state housing finance agencies (HFAs) that were chartered around the same time, MassHousing was established to sell tax-exempt state bonds and use that revenue to fund below-market-rate mortgage loans.[31] In addition to supporting mortgage loans, MassHousing also uses the proceeds from tax-exempt bonds to fund the development of affordable and/or mixed-income housing. MassHousing administers some publicly funded programs, such as MassDREAMS, but is ultimately reliant on its own revenue to sustain its operations.

In 2006, MassHousing partnered with Fannie Mae to become one of the first state HFAs to develop mortgage-backed securities (MBS) for sale on the secondary market.[32] MassHousing's bond capacity was capped at just $200 million, and as home prices rose in the state, the number of mortgages that it could support had been steadily declining. Creating an MBS capacity opened a new funding stream for MassHousing's mortgage program and allowed it to support more loans than it did previously.[33] As a "wholesale lender," MassHousing sets the terms and requirements for a selection of loan products but does not issue the loans themselves. Instead, partner lenders, such as banks, mortgage brokers, or credit unions, originate the loans and then sell them to MassHousing. MassHousing, in turn, services the loan and packages it into MBS for sale on the secondary market or into bond programs.[34, 35]

Program Structure & Eligibility

In contrast to MHP, which only offers versions of the ONE Mortgage product, MassHousing offers multiple loan products.[36] These include FHA loans, the Workforce Advantage loan program, and conventional loans for first time homebuyers. All of these products are designed to open up homeownership opportunities to families who might not otherwise be able to get a mortgage, but they tend to serve families with higher incomes than ONE. Income limits depend on the type of loan issued, but the highest income limit in 2022 was $179,955.[37] MassHousing loans do not have asset limits. Borrowers must have a credit score of at least 640. MassHousing loans are 30-year fixed rate loans with a minimum down payment of 3 percent. In part due to the broader eligibility criteria, MassHousing loans are much more common than MHP loans. In 2019, 3,080 families received a home loan through MassHousing.[38]

MassHousing maintains its own mortgage insurance program, MI Plus, that notably provides job loss protection for the homebuyer.[39] Eligible homebuyers can also pair MassHousing loans with down payment assistance (DPA) from MassHousing in the form of a low- or zero-interest deferred second mortgage. Each of these provisions that expand eligibility, provide some mortgage insurance, and/or provide support for a down payment can make a real difference, but the interest rate associated with each MassHousing loan product is not subsidized or discounted.

In 2020, MassHousing started its Workforce Advantage program (WFA), which is its mortgage product designed for first-time homebuyers with the greatest level of need, and which is the closest comparison to ONE. WFA serves borrowers who earn less than 80 percent of the area median income.[40] MassHousing pays the MI Plus premiums for WFA loans so there is no mortgage insurance cost to the borrower. WFA loans also include expanded DPA in the form of a deferred zero percent interest rate second loan. Borrowers in Boston, Framingham, Randolph, and the 26 Gateway Cities are eligible for up to $50,000 in DPA, and borrowers in other parts of the state are eligible for up to $30,000. Such DPA helps increase buyer purchasing power and/or lower monthly payments.

Costs of and Funding for MassHousing Loans

MassHousing's offerings are not subsidized by participating financial institutions or the state. Instead, any benefits to consumers associated with MassHousing loan products are financed through MassHousing's MBS revenue and operating budget.

Demographic & Financial Characteristics of Borrowers

MassHousing offers different loan products, serving a range of low- to moderate-income buyers. Overall, the highest income limit for any MassHousing loan is 135 percent of AMI, or about $179,955 for a borrower in Essex County in 2022. The average income for MassHousing borrowers in 2022 was $80,347.

MassHousing's borrowers have become much more racially diverse in the last decade. While just about 11 percent of MassHousing borrowers were people of color in 2012, by 2022 about 42 percent borrowers were people of color. The share of Black and Latino borrowers has increased fivefold in that time period—from 3 and 4 percent, to 15 and 22 percent, respectively. MassHousing's client demographics now closely mirrors the population of renter households that falls beneath its broadest income cap. Approximately 11 percent of renter households earning less than $179,955 a year are Black, 20 percent are Latino, 7 percent are Asian, and 58 percent are White (**Figure 4**).[41]

MassHousing is taking active steps to further increase the share of borrowers of color that it serves. A "broker channel" pilot was launched in 2022 to work directly with independent mortgage brokers primarily based in Gateway Cities.[42] By partnering with brokers who have a history of working with borrowers of color, MassHousing hopes to use this channel to reach more customers of color.

Table 1: Affordable Mortgage Product Feature Comparison

Product Feature	ONE Mortgage/ONE+ Boston	MassHousing Workforce Advantage	FHA Loans
Discounted interest rate	Yes	No	No
Private mortgage insurance paid by borrower	No	No*	Yes
Down payment assistance available	Yes	Yes	No
Job loss protection	No	Yes	No
Extra monthly payment assistance available for eligible homebuyers	Yes, homebuyers earning below 80% of AMI	No	No

All ONE and MassHousing borrowers were eligible for MassDREAMS funding. In addition, Workforce Advantage and ONE offer product-specific down payment assistance.
*MassHousing pays mortgage insurance premiums for Workforce Advantage borrowers.

Source: MyMassHome.org

COMPARISON OF AFFORDABLE MORTGAGE PRODUCTS

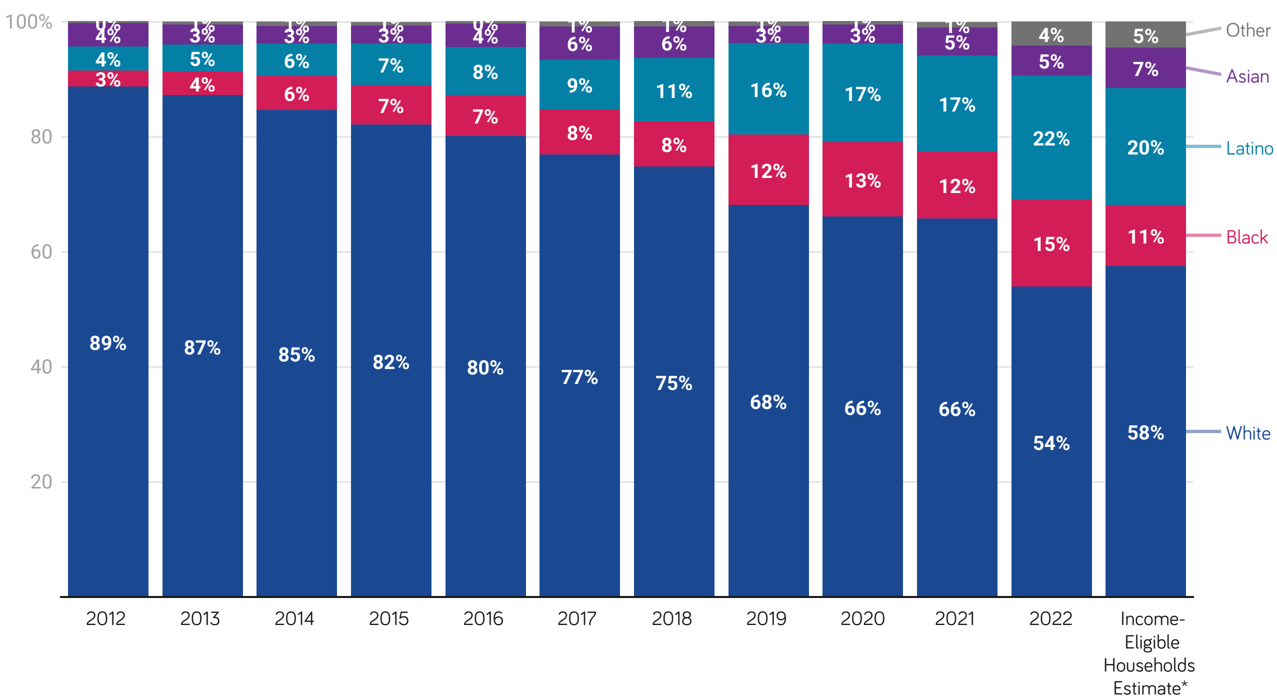
Overall, MassHousing and ONE Mortgage serve borrowers with lower median household incomes than conventional loan borrowers. In 2021, the median income for borrowers who originated a loan in Massachusetts was $122,000, but for all MassHousing loans and ONE mortgages, the median income was $82,565 and $61,420, respectively. The median income for FHA borrowers ($77,000) was less than the median for those accessing all MassHousing loans, but greater than for MassHousing's Workforce Advantage product (estimated $62,500) and ONE (**Figure 5**). Like ONE and other MassHousing loans, FHA loans allow for lower down payments and a higher loan-to-value ratio that make it easier for low- to moderate-income households to purchase a home.

MassHousing's Workforce Advantage loan product caters to lower income borrowers. Both WFA and ONE loans generally offer lower monthly payments than FHA loans and do not require the borrower to pay for mortgage insurance (MassHousing pays for WFA borrower's private mortgage insurance), unlike other loans that allow for a similarly low down payment, like FHA loans. Not paying for private mortgage insurance (PMI) can save the borrower hundreds of dollars a month, as seen in **Table 2** that roughly estimates how monthly costs differ across products. The actual amount that a borrower saves by not having PMI depends on the annual premiums that they would have paid, which is in turn dependent on their eligibility as a borrower, the type of loan that they take out, and the loan's size. In the example below, a hypothetical household earning 80 percent of AMI in Boston could save $222 a month, or $2,664 a year by not paying PMI. This adds up to a significant amount over the 30-year course of a loan and leads to faster equity accumulation. It's important to note that PMI is typically not required for conventional loans with a 20 percent or higher down payment.

With a 0.3 percentage point interest rate discount, ONE Mortgage is the only program we analyzed that had a discounted interest rate. In

Fig. 4: The share of MassHousing loans going to Black and Latino borrowers has steadily increased since 2012.

Share of MassHousing loans going to White, Black, Latino, Asian and Other borrowers by year the loan was originated, compared to renter households that earn below MassHousing's highest income cap.



Asian, Black and White borrowers are non-Latino. Latino can by of any race.
*Estimate based on renter households whose incomes fall below MassHousing's most generous income cap ($179,955) according to MyMassHome.org/program-requirements in June 2023. Calculated using 2017-2021 ACS PUMS data.

Source: Massachusetts Housing Partnership; 2017-2021 American Community Survey 5-year Public Use Microdata Sample

Table 2: Estimated Monthly Cost Scenarios

Estimated costs for common homebuying scenarios for a Boston-based family of four earning 80% of the AMI (approx. $122,900 in 2023). Only incorporates down payment assistance programs that are unique to a given loan product.

	FHA	Workforce Advantage	ONE	ONE+
Sale Price	$400,000	$400,000	$400,000	$400,000
Down Payment Paid by Borrower	$12,000	$12,000	$12,000	$12,000
Down Payment Assistance		$40,000 loan*		$21,000** grant
Mortgage Amount	$388,000	$348,000	$388,000	$367,000
Interest Rate	6.0%	6.0%	5.7%	4.7%
Principal & Interest (monthly)	$2,326	$2,086	$2,252	$1,903
Property Taxes (monthly)	$358	$358	$358	$358
Homeowner's Insurance (monthly)	$117	$117	$117	$117
Private Mortgage Insurance (monthly)	$222	$0***	$0	$0
Monthly Mortgage Amount	$3,023	$2,561	$2,727	$2,378
Interest Subsidy (during first 4 years)			$170† loan	$150† loan
Total Monthly Payment by Homeowner	**$3,023**	**$2,561**	**$2,557**	**$2,228**

Homeowner's insurance & property taxes based on estimates from mhp.net/one-mortgage.
* Workforce Advantage down payment assistance is in the form of a 0% interest loan that is repaid when the home is sold or refinanced.
** Estimate of DPA based on data from MHP. Approx. 80% of ONE+ participants receive DPA from Boston and the median value of DPA received was $21,000.
*** MassHousing pays the PMI premiums for Workforce Advantage borrowers so borrowers receive MI Plus at no additional cost to themselves.
† MHP borrowers at 80 percent AMI or lower are eligible for subsidized monthly interest payments for the first 7 years of their mortgage. The interest rate subsidy gradually decreases in years 5-7 and is repaid in full with 0% interest when the home is sold or refinanced. Subsidy estimate provided by MHP.

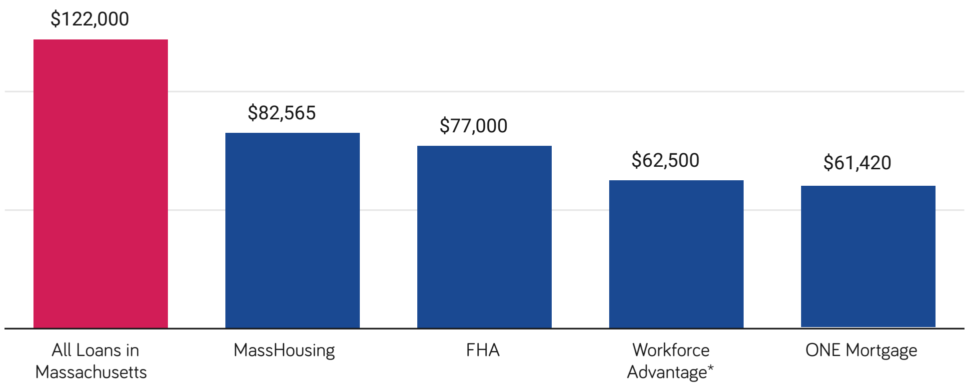
Source: MyMassHome.org; MHP.net

the hypothetical, ONE's interest rate discount resulted in monthly payments $74 less than FHA loans. Boston's ONE+ program offers even greater savings by providing an additional 0.5 to 1 percentage point discount. If a borrower received ONE+'s maximum interest rate discount, 1 percentage point, they would save $314 a month compared to FHA borrowers. These savings add up to approximately $900 per year for ONE borrowers, and nearly $3,800 in savings for ONE+ borrowers. ONE offers an additional interest rate subsidy to borrowers who earn less than 80 percent of the AMI. In the estimate below, the subsidy could save the ONE borrower $170 a month during the first four years. The subsidy gradually decreases in years five through seven before ending in year eight. Borrowers must repay the subsidy at 0 percent interest when the home is refinanced or sold.

Both Workforce Advantage and ONE+ offer down payment assistance (DPA) programs that also lower monthly costs for homebuyers by reducing the size of the mortgage loan that they take out. Workforce Advantage participants can receive DPA for 10 percent of the purchase price, up to $50,000, in Boston. While that assistance has to be paid back when the home is sold or refinanced,

Fig 5: ONE and Workforce Advantage borrowers have a lower median household income than those using FHA.

Median household income for borrowers by type of mortgage. Massachusetts. 2021.

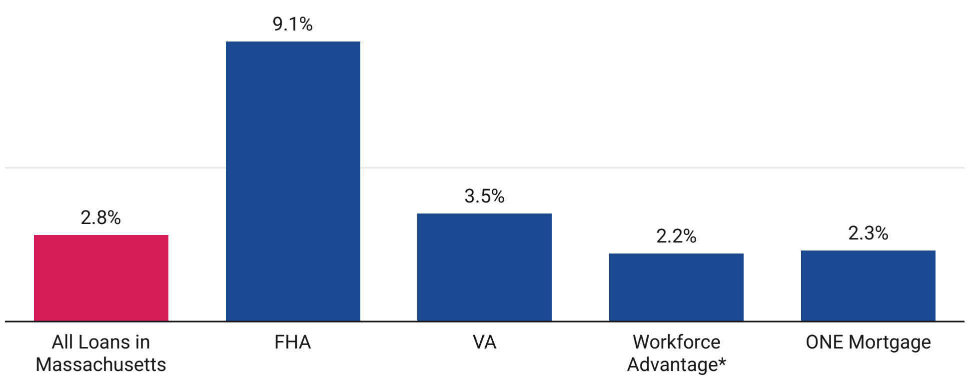


*Workforce Advantage data includes loans originated between April 2020 and May 2023; MassHousing, ONE, FHA, & total data include only borrowers who originated their loan in 2021
**Workforce Advantage median income estimated from categorical data.

Source: Massachusetts Housing Partnership, MassHousing

Fig. 6: ONE Mortgage and Workforce Advantage have lower delinquency rates than FHA loans.

Share of loans with a borrower at least 30 days overdue on making at least one mortgage payment. Massachusetts. First quarter 2023, ending on March 31. Workforce Advantage data is for April 2023.



*Workforce Advantage delinquency rate includes loans in forebearance.

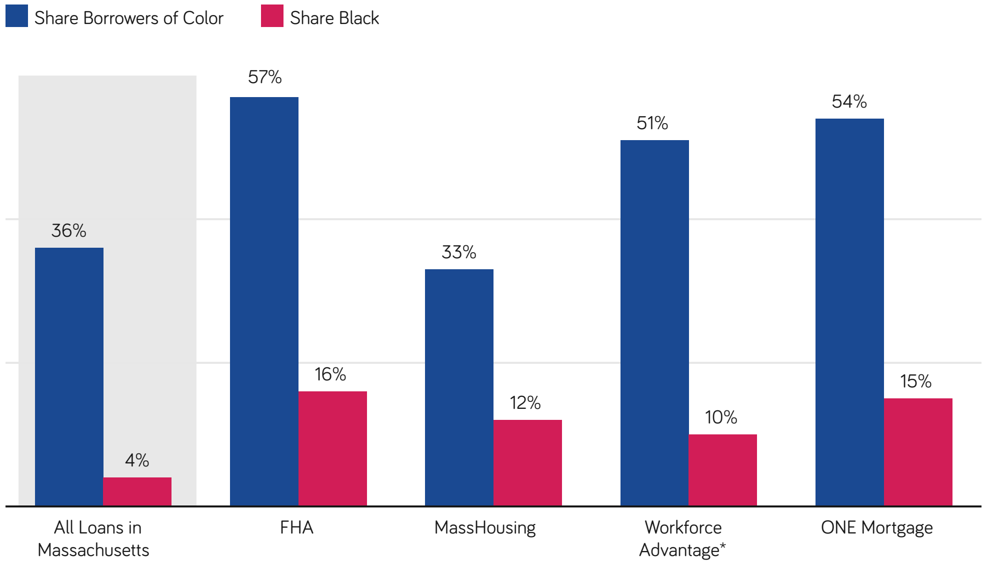
Source: Massachusetts Housing Partnership; MassHousing

in this hypothetical it helps the borrower save $240 in monthly costs, or about $2,880 a year, compared to FHA loans. More than 80 percent of ONE+ participants have received DPA from the City and the median value of DPA received was $21,000. DPA through the ONE+ program is a grant that doesn't need to be repaid. Combined with the interest rate discount and initial interest subsidy, this makes monthly payments for ONE+ mortgage participants an estimated $795 a month cheaper than FHA loans for the first four years, or $9,538 per year.

It's worth stressing that ONE Mortgage and MassHousing loans can also be paired with other down payment assistance programs. For example, MassHousing and MHP both offered MassDREAMS in winter and spring 2023 (MHP still had funds at publication) that were used by many borrowers to reduce the total loan. Matched savings programs that help homebuyers save for a down payment, like STASH, are similarly helpful in reducing monthly costs or increasing homebuyer purchasing power. DPA that must be repaid when the home is sold or refinanced, like Workforce

Fig. 7: FHA, MassHousing and ONE serve a larger share of borrowers of color than conventional loans in Massachusetts.

Share of borrowers that are persons of color or Black, non-Latino. Massachusetts. 2021.



*Workforce Advantage data includes its entire portfolio of active loans as of 6/30/2023; MassHousing, ONE, FHA, & total data only include borrowers who originated their loan in 2021.

Source: Massachusetts Housing Partnership, MassHousing, CFPB Home Mortgage Disclosure Act 2021

Advantage's DPA, will ultimately reduce the home equity the homeowner accumulates compared to grant DPA or interest rate subsidies.

Lower monthly payments and additional benefits help Workforce Advantage and ONE borrowers perform favorably compared to all FHA borrowers overall (**Figure 6**). In April 2023, Workforce Advantage's delinquency rate (meaning a borrower was at least 30 days overdue on making at least one mortgage payment) was 2.2 percent. In the first quarter of 2023, ONE's delinquency rate was 2.3 percent. Both were significantly lower than the delinquency rate for FHA borrowers in the first quarter of 2023 (9.1 percent). They were also lower than the rate of VA loans (3.5 percent) and all mortgages in the state (2.8 percent) in the same quarter. Workforce Advantage and ONE's success is likely due to key features of the loan itself. ONE's discounted interest rate and additional subsidies provided to lower-income families make it easier for owners to meet monthly payments and avoid default or foreclosure.[43] Workforce Advantage offers down payment assistance loans to borrowers, similarly reducing monthly costs. Both ONE and MassHousing require that first-time homebuyers take a course that helps prepare them for the stresses of homeownership, and both maintain a "high-touch" servicing model in which they provide supports to homeowners in need.

Despite ONE and Workforce Advantage's lower monthly payments and lower risk to borrowers, FHA loans continue to account for a significant share of mortgages in Massachusetts. In its annual report on mortgage lending trends, the Partnership for Financial Equity (formerly the Massachusetts Community & Banking Council) found that 12.5 percent of mortgages originated in 2021 were FHA loans.[44] A 2019 Harvard University Joint Center for Housing Studies report found that as many as 1,500 FHA borrowers a year could have qualified for ONE, but missed out on the benefits associated with the product because they failed to discover it.[45] While Workforce Advantage did not exist when the study was published, we imagine a similar number of FHA borrowers would have qualified for Workforce Advantage given their similar eligibility criteria.

Many of these low- to moderate-income borrowers are persons of color. FHA lending is concentrated in Gateway Cities and among communities of color. While Black and Latino homebuyers were underrepresented in conventional mortgages, they were overrepresented in FHA loans.[46] In 2021, the demographic profile of FHA borrowers closely mirrors that of ONE and Workforce Advantage borrowers—approximately 57 percent of borrowers are persons of color, and about 16 percent are Black (**Figure 7**). Expanding access to lower-cost and lower-risk ONE and Workforce Advantage mortgage products could help increase Black and Latino homeownership rates.

Down Payment Assistance Programs

Even for homebuyers who might otherwise qualify for a mortgage, the upfront cost of a down payment can be prohibitively expensive. Down payment assistance programs address that specific barrier by helping qualified homebuyers attain enough liquid financial assets to afford a down payment for a home purchase. People who receive down payment assistance have proven to be successful in staying in good standing on their mortgages.[47]

SAVING TOWARDS AFFORDABLE SUSTAINABLE HOMEOWNERSHIP (STASH)

History of STASH

The Massachusetts Affordable Housing Alliance (MAHA) is a community nonprofit based in the Dorchester neighborhood of Boston. It was founded in 1985 largely through the efforts of Black women in Dorchester who sought to promote access to homeownership in their community. MAHA was instrumental in the creation of the SoftSecond/ONE Mortgage program and has fought for other responsible lending programs since, including the creation of a state-level Community Reinvestment Act (CRA) for mortgage companies. Over the years, MAHA has continued to serve Dorchester and surrounding communities through homebuyer courses and counseling, negotiating lending commitments for ONE, and since 2019, administering its own down payment savings program, the Saving Towards Affordable Sustainable Homeownership (STASH) program.

Founded with seed funding from Boston Children's Collaboration for Community Health and the City of Boston, STASH is a matched savings program that helps aspiring first-generation homebuyers save for a down payment. It was the first program in the country to target first-time homebuyers whose parents or guardians have also never owned a home ("first-generation" homebuyers). Over the course of the three-year program, STASH participants take courses in financial literacy and contribute to a matched savings account that MAHA opens on the client's behalf with a participating bank. Since the program launched in 2019, it has received additional funding from the City of Boston and other sources to increase the matching grant offered to participants and garnered national attention. STASH's model was heralded by Congresswoman Maxine Waters and even included in the proposed Build Back Better legislation.[48]

Program Structure & Eligibility

As noted, MAHA's STASH program is a three-year matched savings program that helps first-generation, first-time homebuyers save for homeownership. During those three years, participants must complete eight to 12 monthly trainings on topics such as saving, budgeting, and managing credit. After completing the courses and saving at least $2,000 of their own funds in a special STASH account, participants are eligible for up to $20,000 in matching funds. Once they choose a home and agree to purchase, the funds are disbursed directly to the homebuyer. To participate, prospective homebuyers must have taken a first-time homebuyer class, have an income of at least $45,000 per year, earn less than 100 percent of the area median income (roughly $153,650 for a family of four in Boston in 2023), and be a first-generation homebuyer.

Costs of and Funding for STASH

Aside from administrative costs, the cost to administer the program is essentially the cost of providing a savings match for STASH participants who purchase homes in the city of Boston. Originally, participants who saved $2,000 received a match of $2,000 to purchase a home anywhere in the state. STASH eventually increased the match to $5,000 and now matches can be as high as $10,000 or $20,000, depending on other assistance programs that prospective homebuyers access.

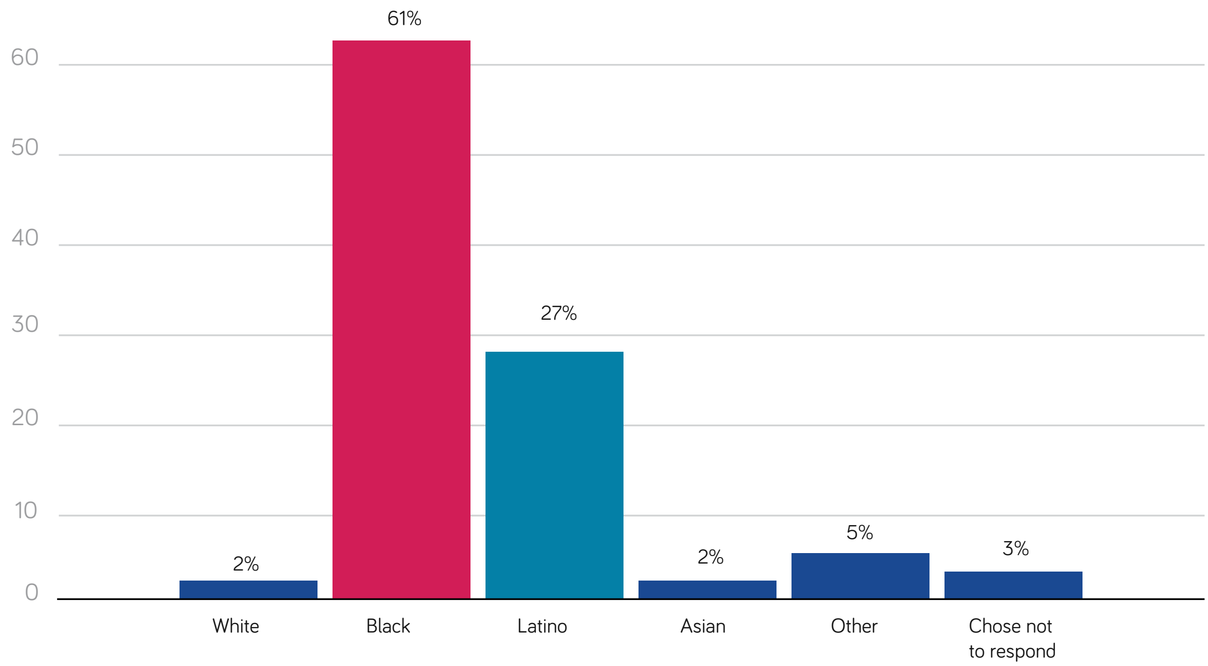
To date, most of STASH's funding has come from the City of Boston. MAHA has secured private funding, including an additional $10 million seed grant, and is in the process of securing state funding to expand its program to the rest of the Commonwealth.[49]

Demographic & Financial Characteristics of Participants

MAHA's strong ties to Dorchester and surrounding communities in Boston have helped it be successful in serving the Black community in Boston. Since it was started, 61 percent of STASH participants have been Black and approximately 27 percent have been Latino. Participants in the program are overwhelmingly from Dorchester, Hyde Park, Mattapan, and Roxbury. Nearly half of STASH participants are single mothers (**Figure 8**).

Fig. 8: Almost 90 percent of STASH participants are Black or Latino.

Share of Saving Towards Affordable Sustainable Homeownership (STASH) participants that identified as White, Black, Latino, Asian, or Other. 2019-2023.



Black, Asian and White participants are single-race, non-Latino. Latino can be of any race.

Source: Massachusetts Affordable Housing Alliance

Overall, STASH participants have been successful in purchasing a home; 83 out of STASH's 105 graduates, or 80 percent, have become homeowners.

The program is not without challenges, however. Accumulating savings is no easy feat for a liquidity constrained homebuyer. Some STASH participants experience personal financial setbacks and must pull funds out of the program as a result. In this case, participants do not receive the match they would be eligible for if they used the funds to purchase a home, but they can still use their own accumulated STASH savings for emergency expenses. According to program administrators, the STASH program saw an uptick in the number of participants who opted to discontinue their participation in the program due to unexpected expenses early in the COVID pandemic. Administrative data show no distinct patterns in who discontinued their participation in STASH, suggesting that the withdrawals were likely due to individual circumstances.

Importance of Education Programs & Counseling

A hallmark of STASH is its cohort structure and three-year financial literacy curriculum. Cohorts are led through 12 seminars on topics from building a budget to estate planning in a curriculum that goes far beyond the typical first-time homebuyer course. Focus group participants emphasized the impact that STASH's educational program had on their financial well-being and readiness to become a homebuyer. The cohort structure also builds a strong sense of community, creating camaraderie around a shared goal, and developing helpful relationships that participants can turn to when they're trying to navigate the homebuying process.

Participants are also able to take advantage of MAHA's housing counselors for assistance in navigating the homebuying process. First-generation homebuyers do not have the same social or familial support that other first-time homebuyers might have, and the support of trained, experienced MAHA counselors was a huge help to many participants.

Table 3: Demand-Side Affordable Homeownership Programs Eligibility Comparison

Program Requirement	ONE Mortgage/ ONE+ Boston	MassHousing Loans	MassDREAMS	STASH
Product Type	Affordable Mortgage	Affordable Mortgage	Down payment Assistance	Matched Savings Account
Targeted Demographic	First-time homebuyers*	First-time* and repeat homebuyers	First-time homebuyers*	First-generation homebuyers **
Income Limit	Below 100% AMI	Income limits vary depending on the type of MassHousing loan, highest income limit is 135% AMI	Must meet income limit for corresponding MHP or MassHousing loan	Below 100%AMI, minimum household income of $45,000/year
Minimum Credit Score	640	640	640	N/A
Minimum Down Payment†	3 percent	3 percent	3 percent	N/A
Asset Limit	$75,000	None	Must meet asset limit for corresponding MHP or MassHousing loan	N/A
Location Requirement	ONE+ Boston– must be a current resident of Boston; ONE Mortgage– No	No	Live in 29 eligible communities, but can purchase anywhere in MA	N/A

* MHP and MassHousing define "first-time homebuyer" as not owning a home in the last three years.
** STASH defines "first-generation homebuyer" as someone who has never owned a home, and whose parents or guardians have also never owned a home.
† Down payment assistance can be used toward the minimum.

Source: MyMassHome.org; Massachusetts Affordable Housing Alliance

MASSDREAMS

History of MassDREAMS

The Massachusetts Delivering Real Equity and Mortgage Stability (MassDREAMS) program was launched in October 2022 with $65 million of American Rescue Plan Act (ARPA) funding. Administered through both MHP and MassHousing, the program provided down payment and closing cost assistance to first-time homebuyers who resided in one of 29 communities that were disproportionately impacted by the COVID-19 pandemic. Then Governor Charlie Baker explained at the launch that the new program "complements our ongoing efforts to leverage federal ARPA funds to address the racial homeownership gap in Massachusetts and creates additional opportunities for residents across the state."[50] One portion of the funds was given to MHP to disburse to ONE borrowers, and the other portion was given to MassHousing to disburse to MassHousing borrowers.

MHP and MassHousing designed the MassDREAMS program collaboratively and both organizations administered the program in conjunction with their affordable mortgage products. Interested homebuyers were directed to MyMassHome.org, a website created by MassHousing, MHP, the Massachusetts Rehabilitation Commission, and Citizens' Housing & Planning Association (CHAPA), to complete a pre-screening form and determine eligibility. Eligible homebuyers were then encouraged to connect with a participating lender to see which loan products might best match their needs.

The different ways MassHousing and MHP processed applicants for MassDREAMS affected how long the funds lasted. MassHousing provided grants to homebuyers who were in the process of buying a home. Participating lenders had broad flexibility when applying MassDREAMS funds to loans with the ultimate goal of improving affordability and reducing costs for the consumer, e.g., apply funding toward down payments, closing costs, mortgage insurance, or buying down interest rates. MHP, however, gave grant pre-approvals to prospective homebuyers who were still determining their budget. As a result, MassDREAMS funding at MassHousing lasted a total of 79 days, while MHP still had additional MassDREAMS funds at the time of publication.

Program Structure & Eligibility

MassDREAMS provided down payment and closing cost assistance to low- and moderate-income first-time homebuyers who lived in 29 communities that were disproportionately impacted by the COVID-19 pandemic.[51] Homebuyers received assistance equal to 5 percent of the purchase price, which did not have to be repaid. The maximum grant amount was $50,000 for households earning below 100 percent of the area median income (AMI) and $35,000 for households earning between 100 and 135 percent of AMI. The grants had to be paired with either a ONE Mortgage or a MassHousing loan and applicants had to meet the eligibility requirements for whichever product they chose to use.

While recipients had to be living currently in one of the 29 communities, grants could be used to purchase a home anywhere in Massachusetts. MassHousing applicants could use the grants to purchase up to a four-family home that would be used as the owner's primary residence, while ONE could be used to purchase up to a three-family home that would also be used as a primary residence. Because MassHousing chose to disburse the grants later in the purchasing cycle, applicants had to present a signed purchase and sale agreement for a home in Massachusetts.[52] The MassDREAMS grant could also be layered with other affordable homeownership programs, such as using MassDREAMS to help purchase a deed-restricted affordable unit or combining MassDREAMS with municipal down payment assistance. MassHousing provided 1,140 MassDREAMS grants and, as of June 2023, MHP had provided 290 grants.

Costs of and Funding for MassDREAMS

MassDREAMS is funded with $65 million of the $5.3 billion in State and Local Fiscal Recovery Funds that Massachusetts received from the federal American Rescue Plan Act (ARPA) during the COVID-19 pandemic.[53] This is a relatively small allocation, especially when compared to the targeted ARPA funding that the state received to support emergency rental assistance programs.[54]

Because MassDREAMS was funded using one-time ARPA funds from the federal government, the MassDREAMS program ends when its initial $65 million is spent down.

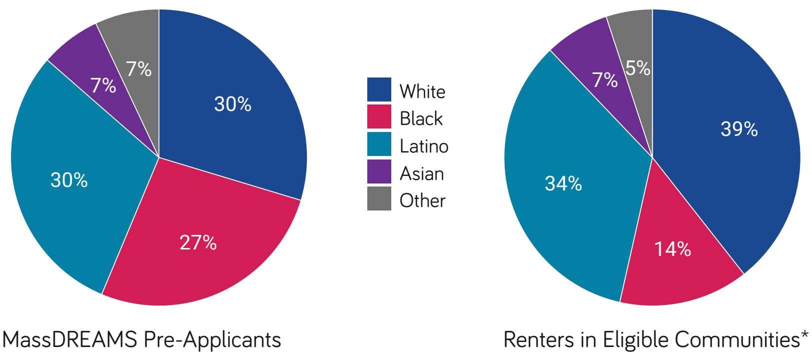
Demographic & Financial Characteristics of Pre-Applicants

Our data on MassDREAMS participants is limited to pre-applicants who completed the screening form on MyMassHome.org and were found eligible for the program ("pre-applicants"). It is important to note that we do not know whether these individuals went on to receive MassDREAMS funds or if they did so through a MassHousing loan or ONE Mortgage.

MassDREAMS was successful in reaching potential homebuyers of color and Black residents, in particular. Using the 2017-2021 American Community Survey, we estimate that approximately 39 percent of renters in eligible communities are White, 34 percent are Latino, and 14 percent are Black. In contrast, 23 percent of MassDREAMS pre-applicants were White, 30 percent were Latino, and 27 percent were Black. The higher share of Black applicants is significant—approximately double their estimated representation in eligible communities (**Figure 9**).

Fig. 9: More than half of eligible MassDREAMS pre-applicants were residents of color.

Share of eligible MassDREAMS pre-applicants by race compared to renters in communities eligible* for MassDREAMS.



White, Black, and Asian are single-race, non-Latino. Latino can be of any race. Other includes pre-applicants who did not specify a race or ethnicity.

*The 29 communities eligible for MassDREAMS were: Attleboro, Barnstable, Boston, Brockton, Chelsea, Chicopee, Everett, Fall River, Fitchburg, Framingham, Haverhill, Holyoke, Lawrence, Leominster, Lowell, Lynn, Malden, Methuen, New Bedford, Peabody, Pittsfield, Quincy, Randolph, Revere, Salem, Springfield, Taunton, Westfield and Worcester.

Source: Citizens' Housing And Planning Association; 2017-2021 American Community Survey PUMS

The MassDREAMS pre-applicant pool was also more racially diverse than MassHousing and ONE's borrower pool. Just over 60 percent of MassDREAMS pre-applicants identified as Asian, Black, or Latino, similar to ONE and Workforce Advantage's shares and higher than the 33 percent of MassHousing borrowers overall who identified as a person of color. Approximately one quarter of MassDREAMS pre-applicants were Black, higher than the share of ONE Mortgage borrowers (15 percent) and all MassHousing borrowers (12 percent).

The greater racial diversity among interested MassDREAMS participants is partly due to the cities and towns that the program targets. MassDREAMS is limited to residents in 29 communities that were disproportionately impacted by the COVID-19. These 29 communities also have a significantly higher share of residents of color, and Black and Latino residents in particular. Over one half of the state's Black population lives in just Boston, Brockton, Springfield, Worcester, and Randolph, all cities eligible for MassDREAMS. In total, 72 percent of the state's Black population and 73 percent of the state's Latino population live in MassDREAMS communities.[55]

Distribution of Subsidy & Impact on Homebuyers

The way that MassHousing and MHP disbursed the funds shifted the impact that MassDREAMS had on prospective homebuyers. By requiring a purchase agreement, MassHousing's funds flowed quickly to individuals already in the process of buying a home. Because MassDREAMS began at a time when mortgage interest rates were rising rapidly, many prospective homebuyers who had previously been pre-approved for a mortgage at a lower interest rate now found themselves priced out. MassHousing's disbursement method helped many bridge these financing gaps. MassHousing also extended funds to MassHousing loan recipients already in the process of closing on a home when the program was announced, and allowed lenders flexibility in applying the grant funds to support homebuyers (e.g., paying for closing costs, reducing the principal balance of the loan, etc.).

By contrast, MHP did not require a purchase agreement and pre-approved borrowers for MassDREAMS who had not yet applied for ONE. MHP borrowers could then use their MassDREAMS pre-approval letter to market themselves as more desirable borrowers to lending institutions and as more desirable purchasers to home sellers. Though disbursing the funds this way has been a slower process, MHP believes that it helps borrowers access homes that might not otherwise have been available to them. ONE borrowers are required to cover half of the minimum 3 percent down payment with their own funds, but MassDREAMS grants could be used to cover the other half.

Development Incentives

Lack of adequate housing supply is a fundamental, underlying cause of the affordable housing crisis in Massachusetts. There simply are not enough housing units (and not enough housing units of the proper type) to meet the demands of Massachusetts residents, especially those with low or moderate incomes. Long-term, our state will best address its housing shortage through zoning reforms that eliminate many unnecessary restrictions on building modest multifamily housing. In addition to this longer-term work to free up the housing market in Massachusetts, there are a few development incentive programs and policies that directly subsidize housing developers to build owner-occupied housing units that are reserved for low- and middle-income Massachusetts residents at subsidized prices.

COMMONWEALTH BUILDER

History of CommonWealth Builder

In 2018, MassHousing launched the Racial Equity Advisory Council for Homeownership (REACH), a coalition of public and private organizations working to narrow the racial homeownership gap. REACH worked with the state legislature's Black and Latino Caucus and Governor Charlie Baker to develop a new state program to subsidize the production of affordable housing units, CommonWealth Builder (CWB).[56] The program launched in 2019 with $60 million in funding from capital dollars returned to the state from General Electric's never-built headquarters in Boston.[57] MassHousing partnered with Boston's Mayor's Office of Housing to coordinate additional funding and administrative support on a discretionary per-project basis.

In 2021, Baker advocated for the expansion of the program as a part of his broader push to use ARPA funds to help close the racial homeownership gap.[58] In 2022, CWB received an additional $100 million from economic development legislation, as well as an additional $115 million allocated from federal ARPA funds.[59]

Program Structure & Eligibility

CWB subsidizes the production of affordable homeownership units by providing development incentives to qualifying projects. The eligibility requirements for CWB have shifted as new funding sources have been added but, as of publication, proposed developments must be built in Boston, Gateway Cities, or in other communities disproportionately impacted by COVID-19.[60] They must be single-site projects and include a minimum number of deed-restricted affordable homeownership units sold to income-qualifying first-time homebuyers. For condominium developments, at least 25 percent of total units or 10 units overall (whichever is greater) must be deed-restricted, affordable units. For single-family home developments, at least seven units must be deed-restricted, affordable units, regardless of overall project size.[61] MassHousing also requires documentation of municipal commitment (e.g., subsidy, land grant, or infrastructure support) to ensure that the leaders most familiar with the community approve of the project. Since it is both new and innovative, MassHousing continues to tweak the program to ensure it effectively incentivizes affordable housing production in communities where LMI and minority homebuyers typically purchase homes.

CWB disburses grants to developers to offset forgone profits for units sold at below-market rates to LMI households. Subsidies can exceed $250,000 in value and are delivered to the developer during construction. MassHousing used to distribute funds after the sale of the unit to a qualifying homebuyer but altered its approach in order to deliver funds earlier in the process in summer 2023. Distributing funds during construction reduces the amount of debt the developer assumes, thereby mitigating a potential barrier to construction.

CWB requires both income and asset limits for homebuyers. While MassHousing does not oversee the disbursement of the finished units, it requires that homebuyers earn between 70 and 120 percent AMI and have less than $100,000 in assets. Applicants must be a first-time homebuyer, meaning that they have not purchased another home in the past three years, and complete homeownership counseling at the time of purchase.[62] Homebuyers can also receive support from other state programs (such as MassDREAMS or ONE) and are selected through lotteries run by a lottery agent selected by the developer with oversight from a designated monitoring agent.

To prioritize wealth building, CWB has opted to add relatively short resale restrictions to CWB unit deeds. These resale restrictions limit the sale price of the subsidized property and to whom it can be sold for a set number of years. Typically, resale restrictions on affordable homeownership properties last anywhere from 30 years to perpetuity. In contrast, CWB resale restrictions only last for 15 years and the municipality retains a right of first refusal (the ability to purchase the unit before other buyers) for an additional 15 years.[63] If the homeowner chooses to sell the home during the first 15 years, the amount of equity they can earn is subject to a formula built into the deed and they can only sell it to an income-qualified first-time homebuyer. If the homebuyer chooses to sell after owning the home for 16-30 years, there are no resale restrictions on the price or buyer, but the municipality maintains the right of first refusal and MassHousing receives a portion of the home equity generated by the sale. After 30 years, the deed restrictions are no longer present. This means that after 15 years a family could sell their home and receive a significant cash windfall from the program. This could be potentially transformative for an individual family but would mean the unit would return to being a full market rate unit in perpetuity, absent its purchase by and infusion of new subsidy money from the municipality.

Deed restrictions for CWB units located in Boston have longer resale restrictions than those in other municipalities per an agreement between MassHousing and the Mayor's Office of Housing (MOH). Boston CWB units have resale restrictions for 30 years.

Costs of and Funding for CommonWealth Builder

Compared to other programs mentioned in this brief, the upfront, per household cost to get a family into a home through CommonWealth Builder is much higher. Each unit costs the state up to $220,000, significantly higher than the per household costs of MassDREAMS, for example. However, CommonWealth Builder does have the distinction of being a rare program that directly addresses the fundamental issue of housing *supply* constraints.[64] A successful CommonWealth Builder program must provide enough subsidy to incentivize developers to build homeownership units that can be sold at below-market rates, even in an environment where construction costs are high. This supply-side focus contrasts with down payment assistance and subsidized mortgage products, which seek to address some of the constraints on housing *demand* by providing subsidies to individual home*buyers* rather than home producers.

As noted above, the initial funds came from returned incentive money from GE. This sum has been augmented by ARPA funds and lawmakers continue to seek other sources.

Assessing the specific long-term impact of an initiative such as CWB is beyond the scope of this analysis. The longer view will be worth considering, however, when evaluating costs and benefits of the program. The more money and time required to build a CWB unit may be justified by the longer-lasting structural impact it has on the state's overall housing supply.

Characteristics of CommonWealth Builder Projects

To date, there are a total of 1,685 residential units in the CWB funding pipeline for construction in the next two years, including 1,297 deed-restricted affordable units. These projects account for more than $275 million in state funding, or roughly $220,000 per subsidized unit. CWB projects are actively being constructed in Roxbury, Mattapan, and Chelsea, and 21 new units have recently been sold to qualifying families in Haverhill, Jamaica Plain, and Everett. While we don't have demographic data on all of the recently sold homes, in Everett and Haverhill, 12 out of the 13 units were sold to families of color.[65]

CHAPTER 40B: MASSACHUSETTS' COMPREHENSIVE PERMIT ACT

History of 40B

In 1969, the Massachusetts legislature enacted the Comprehensive Permit Act, or Chapter 40B of the Massachusetts General Laws. Referred to as the "Anti-Snob Zoning Act," the goal of 40B was to disrupt local exclusionary zoning policies that had proliferated after World War II. Enacted by municipal governments, exclusionary zoning policies fueled racial and socioeconomic segregation by making it hard to build anything other than a cost-prohibitive, single-family home.[66] Chapter 40B, like other "anti-snob" land use laws enacted around the same time, was designed to provide relief from municipal-level zoning laws, without fundamentally overturning the right of local governments to control land use and development within their borders.[67] It created pathways for qualified developers to override local zoning in communities where less than 10 percent of the housing stock is affordable to low- and moderate-income households or less than 1.5 percent of its land area is used for affordable housing, effectively setting a minimum affordable housing goal for all Massachusetts cities and towns.[68]

40B, as it is often referred to, has undergone many revisions since it was first passed, including the creation of the Local Initiative Program (LIP), reducing the maximum size of 40B developments in smaller towns, and allowing a state-certified Housing Production Plan to exempt municipalities from 40B provisions for two years.[69]

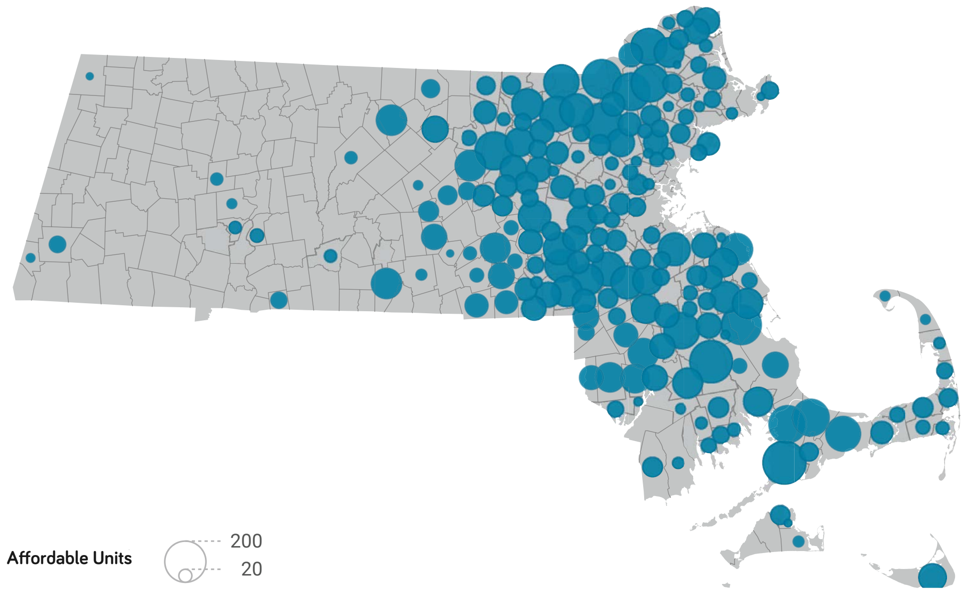
Policy Structure

At its core, 40B has three main provisions. First, it allows "qualified developers" (e.g., nonprofit organizations, local housing authorities, or developers that agree to keep their profit margin below a certain level) to apply to the local Zoning Board of Appeals (ZBA) for a "Comprehensive Permit" to build new affordable housing. A project is deemed "affordable" if it receives funding from one of four subsidizing agencies (Massachusetts Department of Housing & Community Development, MHP, MassHousing, or MassDevelopment) or technical assistance through LIP, and if at least 20 or 25 percent of the units are affordable for rental and homeownership projects, respectively.[70] Second, it enables the local ZBA to grant qualified developers additional development rights, like higher densities, in order to make their affordable housing projects financially viable. And third, it allows developers to appeal local ZBA decisions to a state Housing Appeals Committee.[71]

40B only applies to cities and towns where less than 10 percent of the housing stock or 1.5 percent of its land area is used for housing affordable to low- and moderate-income households. 40B created the state-maintained Subsidized Housing Inventory (SHI) to

Fig. 10: Chapter 40B has resulted in at least 6,000 affordable homeownership units spread throughout Boston area suburbs.

Circle size indicates number of affordable homeownership units produced through Chapter40B in a given city/town.



Estimates of affordable units produced through Chapter 40B vary by monitoring agency.

Source: Massachusetts Housing Partnership • Map data: MassGIS

measure city/town progress and eligibility. Through LIP, cities and towns can also receive SHI credit for "local actions"—such as enacting an inclusionary zoning policy—that lead to the creation, preservation, or rehabilitation of affordable housing.

Developments that use a comprehensive 40B permit to develop housing units for sale are required to include a deed restriction, or deed rider, on their affordable units that limits who the unit can be sold to and for how much. The length and structure of the resale restrictions can vary depending on the city/town and the subsidizing agency but often last into perpetuity or for 30 or more years. Families can inherit 40B homes but can only live in it if they were using the home as their primary residence when the death occurred and meet the income and asset limits in effect at the time of the transfer. If those conditions are not met, the family would sell the home to an income-qualifying buyer and keep the amount of equity allowed by the deed restriction.

Costs of 40B

Since Chapter 40B does not entail any explicit subsidies, it incurs no direct cost to the state beyond administrative costs.[72] The Massachusetts Department of Housing and Community Development may provide direct technical assistance to both municipal officials and developers for the creation of qualifying projects through LIP. In addition, developers may avail themselves of other development subsidies combined with 40B (Low-Income Housing Tax Credit, CommonWealth Builder, or other subsidies), but Chapter 40B itself provides no explicit subsidy to developers.

Characteristics & Impact of 40B

Over the course of its 50-year existence, 40B has generated more affordable homeownership units than any other program in the state. Since its inception, Massachusetts Chapter 40B has resulted in the construction of at least 6,000 affordable homeownership units.[73] Unlike CommonWealth Builder, which was designed to spur development in lower wealth communities, 40B is largely used to promote affordable housing construction in higher wealth, suburban communities (**Figure 10**).

Chapter 40B has been widely used throughout the state, but particularly in suburban areas outside of the inner core. Nonetheless, there are still many cities and towns that fail to meet the 10 percent threshold established by 40B. For example, in Winchester just 3.1 percent of housing units were subsidized in June 2021, according to the SHI.[74] Because the SHI uses housing unit counts from the Decennial Census as a baseline, some towns that have previously met the 10 percent threshold might fall below whenever the SHI is updated.

Some characteristics may also limit Chapter 40B's ability to effectively contribute to the state's supply of affordable housing. First, when selling affordable units to homebuyers, municipalities are allowed to include local preferences, meaning that it is possible for a relatively affluent suburb to prioritize existing residents when distributing affordable units to homebuyers. These types of local preferences can have an exclusionary effect that limits the ability of Chapter 40B to expand access to homebuyers that currently reside in lower wealth communities. Secondly, Chapter 40B does not regulate the price of market rate units that are included in 40B projects. In order to offset forgone profits from units sold at below-market rates, developers might raise the sale price of market rate units beyond what they would have otherwise been.

Table 4: Estimates of Households Served or Units Created by Program

Estimates of first-time mortgage loans originated by MassHousing and MHP, STASH participants, MassDREAMS recipients, and units created by CommonWealth Builder and 40B. New units constructed are expected to serve multiple families over time.

Program	Year Started	New Households Served in 2022	Estimate of Households Served Over Time
All MassHousing Loans	1966	2,064*	89,501
ONE Mortgage / SoftSecond	1991	580	24,647
Workforce Advantage	2020	273	841
STASH	2019	97 **	264
MassDREAMS	2022	1,212	1,140 served by MassHousing; MHP has awarded 290 grants and is still distributing funds.
CommonWealth Builder	2019	21	1,685 deed-restricted units in the construction pipeline for completion in the next two years.
40B	1969	Unknown	6,000+ deed-restricted homeownership units created. Many of these units have served more than one family.

* MassHousing data from their 2022 Annual Financial Report and is based on fiscal year 2022.
** STASH data includes Fall, Winter, and Summer 2022 cohorts.

Source: MassHousing, Massachusetts Housing Partnership, Citizens' Housing and Planning Association, Massachusetts Affordable Housing Alliance

Topline Findings from Analysis of Key State Programs

Each of the programs explored above is different by design, but we thought it would help to conclude this section with a summary of cross-cutting findings or themes from this analysis. They include:

- **Massachusetts has created some model homeownership support programs.** These were often created with the intent of addressing longstanding housing discrimination, and they offer a strong foundation upon which to build.

- **Programs have started doing a far better job at reaching eligible families of color.** While many of these programs were created to remedy longstanding patterns of housing discrimination, in earlier years they didn't always reach a representative pool of families of color, especially Black and Latino families. Through new outreach efforts, however, programs like ONE Mortgage and MassHousing loans have increased the share of households of color participating in their programs.

- **Programs offer widely varying levels of direct financial support.** While it's difficult to make clean apples-to-apples comparisons, the actual financial support or direct subsidy provided by programs fall into roughly three buckets:

    - Programs that provide little subsidy but expand access to mortgage lending. These programs, like FHA loans and MassHousing loans, offer little actual subsidy to the borrower, but help many families buy homes who otherwise couldn't on the open market.This expanded access can be extremely helpful when paired with high-touch servicing models and other supports to ensure that homeownership is sustainable for these families.

    - Programs that expand access and provide modestly subsidized mortgage products. ONE Mortgage is the main example in this category, but MassHousing's Workforce Advantage program also provides some additional support. Here, the subsidy is ultimately still somewhat modest, but it can make the difference of hundreds of dollars a month in mortgage payments, expanding who can qualify for a home and leading to faster equity accumulation.

    - Programs that provide much larger direct subsidy, often through large down payment assistance grants. These programs can provide up to $50,000 grants to individual families.

- **Programs with larger levels of direct financial subsidy can, not surprisingly, make a much bigger difference.** But the challenge is finding stable revenue streams for increasing amounts of subsidy. Federal ARPA funds allowed for a large infusion of down payment assistance through MassDREAMS, but future funding at these levels will likely have to come from additional state resources.

- **ONE and Workforce Advantage have low delinquency rates.** Both programs have delinquency rates that are lower even than conventional mortgages that serve borrowers of higher much higher incomes.

- **None of these programs are designed to serve poor families with the greatest levels of housing insecurity.** The median income of borrowers served by these programs tends to be in the $50,000 to $100,000 range. Families at this level have very real needs, especially in a high-cost region like ours. But because they're designed to serve families with some ability to sustain the costs of homeownership over time, these programs really aren't able to help families with lower incomes. Other housing support programs continue to be indispensable for helping these families.

- **Direct development subsidies can help create subsidized homeownership units, but they are expensive on a per unit basis.** CommonWealth Builder (CWB) spends about $220,000 per unit to build homeownership units in lower-wealth communities with a higher share of residents of color. Given the relatively short 15-year deed restrictions for the non-Boston units, many CWB units may only ever serve one family each.

Findings and Policy Recommendations

Massachusetts is a leader in so many ways when it comes to supporting homeownership for low- to moderate-income families. At the same time, we have one of the highest racial homeownership gaps in the country. How can these two realities co-exist? High housing costs, low supply, and a complex landscape of supportive programs make it difficult for any low- to moderate- income household to purchase a home, but particularly difficult for people from Black and Latino communities that have historically been excluded from wealth accumulation and homeownership opportunities. We end this paper with recommendations to strengthen existing programs and policies in Massachusetts. Derived from our focus groups and stakeholder interviews, the actions below would expand access to homeownership to all families in Massachusetts and, in particular, to first-generation and Black prospective homebuyers.

Expand the Number of Race-Targeted Programs

Almost all homeownership support programs in Massachusetts determine eligibility with factors like income, asset levels, and first-time or first-generation homebuying status. These targeted-universalist approaches should disproportionately serve Black and Latino households who are more likely to have lower incomes or wealth, but they are not the same as explicitly targeting by race. And there's been a growing recognition of the need for more race-specific policies to redress race-specific past harms. So, while there's an ongoing need for homeownership programs that support families of all races in Massachusetts, there's simultaneously a very specific set of needs that are unique to Black homebuyers and other borrowers of color. And these can get lost when working too broadly. In order to close racial wealth gaps, especially for Black families with multigenerational ties back to the worst periods of state-sponsored housing discrimination, we need more programs like Homes for Equity and FHLBank Boston's new special-purpose credit program to scale up and provide assistance in race-targeted ways.

Increase Funding for Direct Financial Assistance to First-Time Homebuyers

Coming up with the down payment and closing costs for a home is a major hurdle to homeownership, especially if the homebuyer is also paying down debts. A program participant shared how student loan debt delayed her ability to buy a home: "Because I had been so aggressive about paying off debt, when it came time to put money down, I didn't have everything that I needed." Expansion of down payment assistance programs and other forms of subsidy can help families overcome these obstacles and save their cash reserves for expenses associated with being a new homeowner, like unexpected repairs. Sustaining homeownership can be difficult in a high-cost area like Greater Boston, and the expansion of any direct financial subsidies will make a difference.

- Create a statewide down payment assistance program modeled after MassDREAMS. We heard far and wide that MassDREAMS was a game changer for homebuyers. Black and Latino residents are less likely to receive an inheritance or another intergenerational wealth transfer that could be used to purchase a home.[75] DPA provides homebuyers with the financial reserves needed to cross the threshold into homeownership. As federal ARPA funding for MassDREAMS phases out, the state legislature could step in to provide a permanent, stable source of funding for a targeted down payment assistance program. Such a program could continue to work in the already identified underserved communities, and be dispersed carefully to expand opportunities for prospective homebuyers, not just ease the burden for those already in the process of closing on a home. A permanent, targeted DPA program could help build generational wealth for communities who have been historically excluded from homeownership and don't have access to generational wealth to aid them.

- Expand other cash assistance programs, such as the Child and Family Tax Credit and matched savings programs. As savings fly out the door for down payment, closing costs, and moving invoices, it can be difficult for new homeowners to balance the ordinary expenses of living with that onslaught of large bills. Homebuyers mentioned again and again how DPA helped them retain savings for unexpected non-housing related expenses, such as medical emergencies, during the homebuying process and immediately after. Incentivized savings programs like STASH or FSS help families save specifically for a down payment and deserve to be expanded. The Commonwealth and municipalities could also help on the other end—providing more funding for broader cash assistance programs that can be used for expenses other than home purchasing costs. These types of programs could include matched savings programs, like individual development accounts, or tax credits, like the Earned Income Tax Credit or the Child and Family Tax Credit.

Expand Affordable Mortgage Programs

State-sponsored mortgage programs rely on partnerships with private financial institutions to originate their loans and, in the case of ONE, to provide subsidies to homebuyers. The more banks that participate in programs like ONE and MassHousing's Workforce Advantage, the more prospective homebuyers have access to the program. A 2019 Joint Center for Housing Studies report, for example, found that as many as 1,500 FHA borrowers every year could have qualified for ONE Mortgage, but missed out on hundreds of dollars of monthly savings because they had not heard of the program.[76] Recruiting more financial institutions to offer ONE or MassHousing loan products is one primary way of expanding the reach of these state-sponsored programs, but we could also explore innovative ways for financial institutions to support existing programs on the back end.

• Create new pathways for bank participation in below-market-rate mortgage loan programs. Traditionally, financial institutions participate in ONE by offering the product to their customers and holding the mortgage on their own books as a "portfolio" loan. In contrast, most conventional mortgages are resold on the secondary market, freeing up liquidity for lenders and increasing the amount of mortgages that they can issue. Previous attempts to integrate ONE loans into the secondary market have not been successful, in part because such a limited number of ONE loans are produced each year, and in part because their below-market interest rates make them less appealing to investors. Large, national banks or financial institutions could support below-market rate loans like ONE by purchasing them from smaller, issuing institutions, like regional banks or independent mortgage companies and holding them on their own books. Doing so would enable the smaller institution to issue more mortgages and help a larger financial institution to meet its social responsibility goals at minimal cost.

• Recruit more financial institutions to offer MassHousing and MHP loan products. Loan products offered by MassHousing and MHP provide lower monthly payments to homebuyers and other perks, such as job loss protection or delinquency counseling. Their "high touch" servicing model helps homebuyers make informed decisions about their homes and avoid foreclosure. And yet, many borrowers who would qualify for a MassHousing or MHP loan are likely missing out because they haven't heard of them. The more banks and credit unions that offer MassHousing and MHP loan products, the more likely that a homebuyer is to use them.

• Expand ONE+ Boston to other communities throughout the state. Boston currently uses Community Preservation Act (CPA) funds to provide additional subsidy to ONE Mortgage borrowers. Homebuyers benefit from an additional interest rate subsidy and up to $50,000 in assistance beyond the cost savings enjoyed by ONE Mortgage borrowers in all parts of the state. This model should be replicated across the Commonwealth. This could be done by individual cities and towns contributing local funding, such as CPA-generated funds, or through a new statewide funding source to support interested municipalities.

Better Inform Prospective Homebuyers about Existing Programs

Through our focus groups and interviews, we found that the first point of contact in the homebuying process is often responsible for what supportive programs the homebuyer accesses. Whether a homebuyer learns about affordable mortgage products, down payment assistance programs like MassDREAMS, or a deed-restricted affordable home is frequently dependent on what their realtor, lender, or broker knows. If the homebuyer's first point of contact is unfamiliar with these programs, they may guide the homebuyer in the direction of a market-rate or FHA-backed loan rather than state subsidized mortgage products that could save the homebuyer thousands of dollars in payments. Similarly, a prospective homebuyer may not learn about a deed-restricted home they could qualify for if they are just perusing Zillow.

• Educate real estate agents, lenders, and brokers on subsidized homeownership programs. Real estate agents, lenders, and brokers are common first points of contact for homebuyers and often set the direction of a homebuyer's path to homeownership. For this reason, it's essential that they're well-informed and ready to point eligible homebuyers toward DPA and affordable mortgage programs. The Massachusetts Division of Banks and the Massachusetts Board of Real Estate Brokers and Salespersons, which are the licensing bodies for these professions, do offer some training opportunities around the existence of homeownership support programs, but they appear to be offered in a piecemeal manner. Anything that makes these trainings more common, such as requiring them for certain actors in the system, could help bridge these information gaps.

• Require lender disclosure of subsidized mortgage products. The Commonwealth should require that any lender or broker who offers a mortgage product also share information on publicly subsidized mortgage products. The Consumer Finance Protection Bureau already requires disclosure of certain loan-related information with the Know Before You Owe regulations, which requires that lenders share loan estimates of different loan options in addition to a closing cost disclosure. In addition to enforcing the Know Before You Owe rules, the state of Massachusetts should require that borrowers be informed of state-subsidized mortgage products. At the bare minimum, this could be a standardized disclosure form included in an informational packet; however, it could also be leveraged as a tool for realtors, lenders, and brokers to use when talking about affordable homeownership programs.

• Ensure that subsidized homeownership units are listed in mainstream real estate listings like the Multiple Listing Service. Multiple Listing Service (MLS), the industry-standard real estate listing system that brokers use to post available properties, rarely includes 40B or other deed-restricted affordable units. This is because the fixed resale price and equity accumulation limits make it difficult for sellers to afford a listing agent. The state could assist by paying a flat fee to listing agents to include Chapter 40B and other deed-restricted homes on MLS. MLS systems feed into publicly facing websites like Zillow. Including below-market-rate units on sites like Zillow or Redfin would significantly increase their exposure. It would also increase visibility for other affordable homeownership programs, since the application process for deed-restricted home often references other support programs.

> "My parents never owned. I never heard about homeownership talks in my home, and so... I never thought it was a reality for me."
>
> **– STASH Participant**

Improve Supports for First-Time Homebuyers

The process of buying a home is complex and navigating it well requires knowledge of the system and the levers at your disposal. As the landscape map in Section Two demonstrates, Massachusetts has a significant number of programs to support prospective homebuyers and it can be hard to keep these programs straight. Across the board, we found that confusion about the homebuying process and a lack of awareness about subsidized homeownership programs kept eligible homebuyers from accessing them. Although first-time homebuyer courses are widely available for free or at low cost, prospective homebuyers and program administrators alike stated that earlier education is necessary, as is more hands-on support. This is especially important for first-generation homebuyers whose parents did not own their homes. As one STASH participant told us, "My parents never owned. I never heard about homeownership talks in my home, and so ... I never thought it was a reality for me."

• Build on existing hands-on support. Navigating the homebuying process is complex, with many steps and different people involved. Homebuyers stated that it was difficult to balance the homebuying process with the rest of their work and family responsibilities. Particularly for homebuyers with minimal exposure to the process, it was difficult for them to manage their homebuying team on their own. One recent homebuyer told us, "I wish I had had like a case manager who sort of project managed me.... My lender filled in the gaps." At the same time, a few homebuyers raved about the support they received from counselors at local Community Development Corporations, other housing counseling agencies, or from program administrators. Hands-on support throughout the process is critical. The state should make more funding available for individual counseling programs so that they can hire and train additional staff to provide more in-depth coaching throughout the homebuying process. Organizations should be sure to offer counseling in languages other than English to help homebuyers surmount challenges navigating the system in a non-native language. These programs are critical to helping homebuyers through the process, but also to building a pipeline of new homebuyers, especially homebuyers of color.

• Provide earlier financial education. As with most things in life, the best learning about the homebuying process often comes organically through conversations with family and friends who have gone through it themselves. But as a Commonwealth we can't rely on these social connections since many residents do not have people in their networks who have purchased a home. Therefore, it's important that we have other public systems in place to help all residents gain baseline knowledge about building credit, saving, and accessing financial services. Doing it through our public schools is one logical avenue. Legislation passed in 2019 required the Department of Elementary and Secondary Education to set standards for financial literacy; however, Massachusetts still does not require students to take financial literacy courses to graduate from high school, nor does it even require high schools to offer financial literacy courses. Proposed legislation like An Act Requiring Financial Education in Schools would require all Massachusetts schools to offer financial education courses. Until then, the state could support implementation of existing standards for financial literacy by putting more funds into teacher training, curricula, and staff time, particularly in schools with high proportions of students from families with low and moderate incomes.[77]

• Coordinate to streamline applications and paperwork. We heard from recent homebuyers that the application processes for key affordable homeownership programs are overly cumbersome. A homeowner who participated in the MassDREAMS program told us, "I kept thinking throughout the process, if I was not an English speaker, if I was not relatively well educated, I would not have been able to do this. Because it just required so much, like, filling in the blanks." Each program has its own eligibility and application requirements that often don't align with those of other programs. Similar types of affordable homeownership programs should coordinate better to streamline processes. We already know that this type of coordination is happening in some cases—for example, ONE Mortgage currently collaborates with the Federal Home Loan Bank of Boston to align eligibility criteria and facilitate the layering of the two programs. More of this type of coordination is needed. Perhaps, for example, pre-approval for one program could be used to expedite approval for another.

• Provide ongoing support for new homeowners. Sustaining homeownership can be difficult for all low- to moderate-income homeowners, but particularly so for Black and Latino homeowners. Black and Latino homeowners are less likely to refinance their mortgages and take advantage of falling interest rates than White, non-Latino homeowners.[78] Assistance with refinancing, and ongoing credit repair to access favorable interest rates, can help make homeownership sustainable. For deed-restricted properties, limits on equity accumulation can make it difficult for homeowners to attain financing for home repairs, greening projects, or renovations. Public funds to support such projects, through grants or a matched savings program, would make owning a deed-restricted home more sustainable and increase the home's long-term desirability.

Increase Market-Rate and Income-Restricted Housing Production

Ultimately, any policy implemented to close the racial homeownership gap will be hindered by Greater Boston's ongoing housing shortage, particularly of smaller, lower-cost homes. Decades of low production have led to a shortage of at least 77,000 units in Greater Boston.[79] Building more homes will not only ease supply challenges that threaten the vitality of our region, but also reduce stiff competition for the scant offering of lower-cost homes that low- to moderate-income home buyers can afford. While we need structural policy change to make it easier to build more homes, we know that, at least in the short term, just relaxing housing regulations won't get us all the way and that there is a real need for subsidy programs to get more homes built. As one realtor stated, "We can talk about these programs, but if we don't have anything for them to buy, we won't close the racial wealth gap."

• Expand subsidies for the development of affordable owner-occupied housing. Few developers work on affordable homeownership projects because they typically offer lower returns than rental projects, there are fewer subsidy programs to help make up the difference, and the subsidies that do exist have been inconsistent over the past decade. Subsidies can take many forms, including direct funding from state or local government (like CommonWealth Builder) and indirect funding (like tax credit programs). The largest subsidy sources for rental housing projects is the federal Low Income Housing Tax Credit (LIHTC).[80] LIHTC helps to close development gaps for rental projects benefitting low-income families, but unfortunately no parallel credit currently exists to support the development of homeownership units for low- to moderate-income households. As one builder explained, "Our ask to municipal funding sources is per unit significantly higher on homeownership projects than it is on rental projects because there's just more of a gap.… We struggle to get to scale."

Ensuring stable funding sources to cover these gaps would encourage developers to build out new capacity for homeownership projects. Massachusetts could establish a state tax credit for homeownership projects similar to LIHTC or expand programs like CommonWealth Builder that are reserved for homeownership projects. Extending CommonWealth Builder to include “Gateway Adjacent” communities could expand opportunities for developers and prospective homebuyers who seek access to schools in places like Milton but would like to remain near their existing community. Local governments also could support the effort by expanding and strengthening local inclusionary development and linkage fee policies to generate funds for affordable homeownership development. Finally, state and local governments can further support affordable homeownership projects by making vacant, publicly owned land available for homeownership projects at low or no cost, as the City of Boston did in 2022.

• Legalize more forms of market rate housing construction statewide. Unlocking greater housing production through zoning reform would help ease our supply challenges and could lead to new, more affordable units for families. Zoning decisions are largely determined at the local level, making it easy for cities and towns to restrict what type of housing is built. Many towns, particularly higher-wealth suburban communities, have made it difficult to build anything other than large, expensive, single-family homes. Reforming zoning at the state level would make it easier for smaller, more affordable homes to be built. The new multifamily zoning requirement for MBTA communities is one recent step in this direction. The requirement, however, only applies to small areas around transit nodes and modest density levels. Massachusetts could go one step farther and abolish single-family zoning, like California did in 2021. The Commonwealth could also legalize accessory dwelling units by right, allowing homeowners to add small apartments to their lots. While ADUs may not be available for LMI prospective homebuyers to purchase, they present affordable leasing opportunities and could help loosen supply pressures throughout the state.

• Expand public supports for owner-occupied housing development in Gateway Cities and lower-cost markets. In many low-cost housing markets, like Gateway Cities, development costs often exceed projected revenue, making it difficult to attract home builders. State subsidy programs like CommonWealth Builder and the Housing Development Incentive Program (HDIP) help close critical financing gaps. While evidence shows that HDIP funds are typically used for expensive, market-rate housing developments in already expanding Gateway City markets, HDIP could be revised to require an affordability component, increase program transparency and monitoring, and require developers to demonstrate how the project will benefit lower-income residents.

This exploration of the affordable homeownership ecosystem has shown it to be complicated, often challenging, and, most importantly, unable to keep up with rising demand. On the plus side, however, its imperfections make it full of opportunities for positive change for both the near and long term. Massachusetts has a strong foundation to build upon. If we want to close the racial homeownership gap, we need to seriously invest in and grow existing programs that are already doing a great job of serving Black and Latino homebuyers. We also need to continue to experiment with new ways to reach households that have traditionally been excluded from homeownership. Our racial homeownership gap is the product of decades of policy intent and discriminatory investment, and it will take similarly purposeful action to close the gap that we've created. We hope the information presented here helps policymakers and advocates jump to the task.

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