

A pair of hands is shown holding a miniature model of a two-story house. The house has a grey roof, two chimneys, and several windows. The hands are positioned at the bottom corners of the house, supporting it. The background is a soft, out-of-focus light grey.

ENABLING FIRST-GENERATION HOMEOWNERSHIP IN MASSACHUSETTS

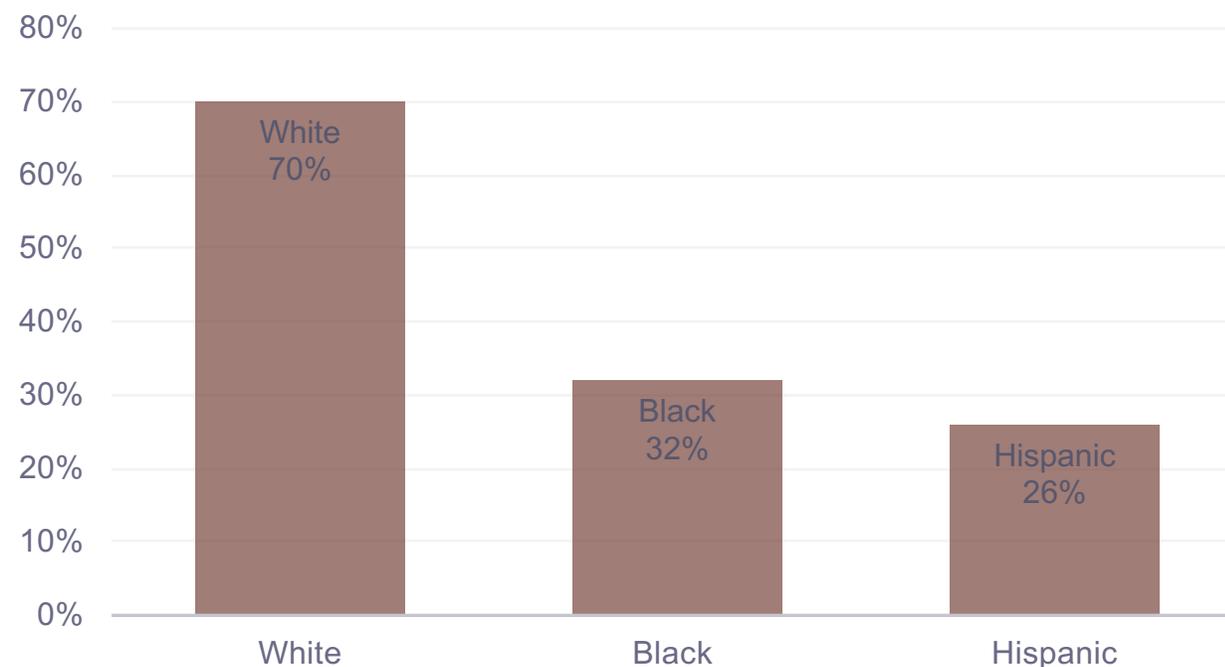
Client: Massachusetts Affordable Housing Alliance (MAHA)

Project Team: Elizabeth Harrington, Elliott Hibbler, David Nardelli, Dandy Xu

Background

- First-time homebuyers whose parents or guardians have never owned a home are considered first-generation homebuyers.
- This group is left to compete with peers who can lean on family for advice and money.
- MAHA is helping underserved communities build wealth and address the racial wealth gap by increasing first-generation homeownership.
- In 2019, piloted a first of its kind program called “Saving Toward Affordable and Sustainable Homeownership,” or STASH.
- STASH focuses on encouraging saving in first-generation homebuyers by offering matching funds in the amount of \$2,000 and education.

Homeownership Rates in Massachusetts



Vision and Goals



- **Vision:** Helping underserved communities build wealth/address the racial wealth gap by increasing first-generation homeownership in Massachusetts.
- **Goals:**
 - Define “first-generation” as it relates to homeownership and establish the term as a legitimate designation while remaining compliant with existing fair housing and fair lending laws.
 - Establish a process by which a first-generation homebuyer may be verified to participate in the program.
 - Support the first-generation homebuyer population via targeted assistance.

Methodology

Based on a framework guided by MAHA's goals and the STASH program's utilization of a novel definition for targeting low-income homebuyers, two distinct research methods were required:

Qualitative Exploratory Methods



Semi-structured interviews with statewide housing stakeholders



Comparative analysis of first-generation programs for college students



Interviews with first-generation homebuyers

Establishing Theoretical Frameworks



Analysis of current housing loan data



Review of literature on housing policy effectiveness at creating wealth

Key Findings

Definition and Marketing

- Higher education and homeownership are effective ways of creating upward mobility and building family wealth. First-generation college students and first-generation homebuyers face similar obstacles to achieving them.
- Currently audiences including funders, policy makers, nonprofit partners, and potential participants have a need to be educated on the population of first-generation homebuyers and the STASH program.

Verification

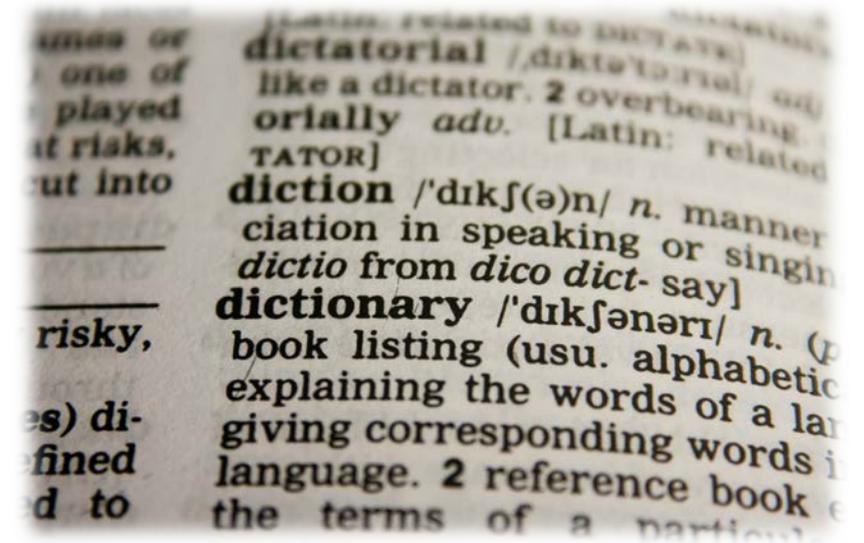
- Time and cost are the two concerns. Verification for first-time homebuyer status takes relatively few, easy-to-obtain documents.
- There is no way to verify someone as a first-generation homeowner solely on the documents required for first-time homebuyers.

Policy

- Due to disparate treatment for minorities in the mortgage lending process and high cost homes due to low supply relative to demand, first-generation homebuyers are left with few options to purchase a home.
- Massachusetts housing stakeholders spoke positively to down payment assistance subsidies, while acknowledging its weaknesses with high implementation costs and inability to keep residents within high cost areas such as Boston.

Recommendation 1: Defining a First-Generation Homebuyer and Marketing the Term

- Maintain most of the current definition of first-generation homebuyers used by STASH.
- Add clauses regarding the first-generation homebuyer status for those who were in foster care and change the verification period regarding the applicant's parental homeownership history.
- Under the new definition, a first-generation homebuyer is an individual who is a first-time homebuyer and meets the additional criteria below:
 - The individual does not currently, nor have they previously owned a home;
 - The individual's parent(s)/legal guardian(s) do not currently, nor have they previously owned a home in the applicant's lifetime;
 - The individual's spouse, if applicable, does not currently own a home and has not previously owned a home; or
 - The individual was in foster care.



Recommendation 1: Defining a First-Generation Homebuyer and Marketing the Term (Cont.)

- The success of the program will be maximized when there is a general awareness of the term and the issues it is addressing via consistent messaging.
- Key messages:
 - The definition of a first-generation homebuyer
 - The issues this population faces in the homebuying process
- Key audiences:
 - Lenders
 - Funders
 - Policy makers
 - Potential first-generation homebuyers
 - Non-profit community partners
- Platforms:
 - MAHA's website
 - Mass.gov webpages
 - MAHA social media channels
 - Printed literature
 - Traditional media opportunities



Recommendation 2: Verification

To demonstrate first-generation status, the applicant needs to provide:

An affidavit affirming the applicant meets the definition

Documentation of the identity of the applicant's parents or guardians

A list of addresses where the applicant has lived with dates and with which parent(s)/guardian(s)

*Parental/guardian and address information will be used to audit applicant compliance.

Recommendation 3: Policy

- Continue advocacy outreach programs to support increased home construction in MA and utilize successful STASH participants as local advocates in their communities and municipal meetings for new housing supply.
- Subsidy formats such as Deed Restrictions & Shared Equity loans must be part of the education process for participants to understand their tradeoffs.
- Down Payment assistance in the form of direct cash to participants should continue to be the cornerstone of STASH's subsidy and should be marketed as such.



Reflection



Challenges:

- Interviews
- Data Availability



Value Added:

- Mixed educational and professional background of group
- Library resources



Lessons:

- Housing policy both nationally and in the Commonwealth
- The challenges of the housing market in the Boston-area beyond what the media covers

CONCLUSION

- The recommendations offered in this report provide insights for one piece of a complex system of solutions necessary to combatting deep racial inequities in Massachusetts and beyond.
- The findings may help MAHA to continue to grow and refine their STASH program, allowing for more first-generation homebuyers to increase assets and improve the affordability and stability of home for themselves and their children.