

Programs provide lending hand for homeowners, buyers

June 29, 2017

By Mary MacDonald

YEARS AFTER THE HOUSING COLLAPSE hit the Rhode Island economy, two new state programs are aimed at stabilizing communities and property owners who are still trying to recover.

Using federal funds, the programs will provide up to \$7,500 in down payment assistance to qualified borrowers seeking a first home, and up to \$75,000 in forgivable loans for homeowners who have underwater mortgages.

Both programs are administered by R.I. Housing.

The "First Down" down payment assistance program will encourage home purchases in six communities that were among the hardest hit in the Great Recession: Cranston, East Providence, Pawtucket, Providence, Warwick and Woonsocket.



HOME TEAM: R.I. Housing has rolled out two programs designed to help homebuyers and homeowners deal with the lingering effects of the Great Recession. Seen are Corinne Myers, left, deputy general counsel and Executive Director Barbara Fields. / PBN PHOTO/TRACY JENKINS

In choosing the communities, R.I. Housing considered factors such as delinquent mortgages, homes with negative equity or underwater mortgages, and the number of distressed property sales.

The \$4 million available through that program is expected to result in assistance for up to 530 transactions, according to R.I. Housing Executive Director Barbara Fields.

"The biggest problem for many prospective buyers is saving for that down payment," Fields said.

The amount of the down payment provided by the program could put a purchase within reach in each of the communities for qualified borrowers. In East Providence, for example, where the median value of a single family home was \$185,000 in 2016, the assumed down payment for a purchase was \$6,475, according to the 2016 Housing Fact Book, published by HousingWorks RI at Roger Williams University.

East Providence has nearly 20,000 households, about 44 percent of whom are renters.

In Providence, the state's largest city, 67 percent of the population rent their homes or apartments, according to the Fact Book. The statistic excludes the affluent East Side neighborhood, which is considered a distinct housing market.

In Providence, the assumed down payment for a single-family home was \$4,550 in 2016, based on a median value of \$130,000.

The R.I. Housing program aimed at existing homeowners, Rhode Island Re-Fi, is a statewide effort that allows borrowers who owe more on their mortgage than the home is worth - a situation described as negative equity - to borrow up to \$75,000 in a forgivable loan.

The three-year forgiveness program will allow homeowners to reduce the amount owed on the balance, and enable them to refinance into a 30-year, fixed-term loan through R.I. Housing. The maximum value of that loan is \$424,100 and it can be used to refinance the purchase of a condominium, or a one- to four family house.

About 100 households in Rhode Island are expected to receive help, Fields said.

It's designed to help homeowners who qualify, including those who owe at least 110 percent of their home's current value, and who have made consistent mortgage payments. The product requires the house to be used as the primary family residence. To qualify, the maximum income for the household has to be less than \$87,360.

"This is one about helping those who have been vigilant about meeting their loan obligations despite the value of their home changing so dramatically," Fields said.

According to fourth-quarter 2016 data, 12 of the 39 communities in Rhode Island had foreclosure rates that exceeded 1 percent. This is a reflection of the percentage of mortgages that are in the foreclosure process. The high of 2.97 percent came in Central Falls.

The federal funding that will provide for the two programs represents the second wave of financing released through the Hardest Hit program, administered by the U.S. Treasury.

The initial wave of funds came in 2010.

The down payment assistance program initially targeted homeowners in 10 communities.

Since 2010, four fewer communities were determined to need the extra help, Fields said, a reflection of a strengthening economy and housing market.

"The good news is more people were working," Fields said, of the changes since the initial implementation. "But there were still some challenges around people being underwater, so we launched Rhode Island Re-Fi. And in those hardest-impacted communities, with people trying to buy a home, which we think would help improve those impacted communities, they allowed us to do this."

The First Down program launched first, in May, to coincide with the traditionally busy homebuying season.

"We wanted to get it out there as quickly as we could," Fields said.

Since the program launched, 20 people have registered with the state, although no closings have been held, according to Peter Pagonis, director of homeownership for R.I. Housing.

The program is set to end in 2020, and is designed to be a use-it or lose-it arrangement for the state, to encourage speedy movement of the funds from the state to homeowners, Pagonis said.