

Application for  
**Neighborhood  
Stabilization  
Program 2**

**Massachusetts Housing  
Investment Corporation**

Consortium  
with  
**Massachusetts Housing Partnership**  
and  
**Commonwealth of Massachusetts  
Department of Housing and Community  
Development**

Application Number:  
**NSP2-PTA DUNS 62-216-5553**

**July 15, 2009**

**Appendix 3 - Application Checklists and Aids  
(Removing Negative Elements Rubric)**

**a. Application Forms:** (Not subject to the page limitations.)

☒ SF-424, Application for Federal Assistance (signed by the Authorized Organization Representative (AOR) who is legally authorized to submit the application on behalf of the applicant

☒ SF-424 Supplement, Survey on Ensuring Equal Opportunities for Applicant ("Faith Based EEO Survey (SF-424-SUPP)")

☒ NSP2 Non-profit Organization Qualification-- Narrative describing qualification as an eligible applicant and Evidence of Nonprofit or and Tax Exempt Status (in accordance with this NOFA).

☒ Consortium Agreement, if applicable.

☒ Program Summary

**b. Narrative Statements Addressing:** (Subject to the page limitations described above.)

☒ Factor 1 – Need and Market Conditions

☒ Factor 2 – Demonstrated Capacity

☒ Factor 3 - Soundness of Approach

☒ Factor 4 - Leveraging, integration, removal of negative effects

☒ Factor 5 - Energy efficiency

☒ Factor 6- Neighborhood transformation and economic opportunity

**c. Disclosures:** (Not subject to the page limitations.)

☒ SF-LLL, Disclosure of Lobbying Activities, as applicable.

☒ HUD-2880, Applicant/Recipient Disclosure/Update Report. ("HUD Applicant Recipient Disclosure Report")

**d. Appendices:** (Not subject to the page limitations.)

☒ A copy of your code of conduct.

☒ Leveraging documentation—firm commitment letters. (See factor 4.)

☒ Signed Certifications. (See Appendix IV for the relevant certifications.)

☐ Calculation of removal of negative effects using HUD provided rubric

☒ Summary of citizen comments including URL where plan is posted

☐ Documentation of firm commitment executed and dated by each for-profit partner

Other information should not be submitted and will not be considered in scoring the application.

**MHIC Consortium**

**NSP2 Application**

**SF-424 Application for Federal Assistance**

**Application for Federal Assistance SF-424**

Version 02

**\*1. Type of Submission:**

- ☐ Preapplication  
☒ Application  
☐ Changed/Corrected Application

**\*2. Type of Application**

\* If Revision, select appropriate letter(s)

- ☒ New  
☐ Continuation  
☐ Revision

\*Other (Specify)  
\_\_\_\_\_

3. Date Received:

4. Applicant Identifier:

5a. Federal Entity Identifier:

\*5b. Federal Award Identifier:

**State Use Only:**

6. Date Received by State:

7. State Application Identifier:

**8. APPLICANT INFORMATION:**

\*a. Legal Name: Massachusetts Housing Investment Corporation

\*b. Employer/Taxpayer Identification Number (EIN/TIN):  
04-3094550

\*c. Organizational DUNS:  
622165553

**d. Address:**

\*Street 1: 70 Federal Street  
Street 2: \_\_\_\_\_  
\*City: Boston  
County: Suffolk  
\*State: MA  
Province: \_\_\_\_\_  
\*Country: USA  
\*Zip / Postal Code: 02110

**e. Organizational Unit:**

Department Name:

Division Name:

**f. Name and contact information of person to be contacted on matters involving this application:**

Prefix: \_\_\_\_\_ \*First Name: Joseph  
Middle Name: L.  
\*Last Name: Flatley  
Suffix: \_\_\_\_\_

Title: CEO and President

Organizational Affiliation:

\*Telephone Number: 617-850-1000

Fax Number: 617-850-1100

\*Email: Flatley@mhic.com

OMB Number: 4040-0004

Expiration Date: 01/31/2009

**Application for Federal Assistance SF-424**

Version 02

**\*9. Type of Applicant 1: Select Applicant Type:**  
M. 501(c)(3) non-profit

Type of Applicant 2: Select Applicant Type:

Type of Applicant 3: Select Applicant Type:

\*Other (Specify)

**\*10 Name of Federal Agency:** U.S. Department of Housing and Urban Development

**11. Catalog of Federal Domestic Assistance Number:**

CFDA Title:

**\*12 Funding Opportunity Number:**

FR-5321-c-01

\*Title:

**13. Competition Identification Number:**

Title:

**14. Areas Affected by Project (Cities, Counties, States, etc.):**

Boston, Brockton, Chelsea, Fall River, Fitchburg, Holyoke, Lawrence, Lowell, Lynn, New Bedford, Revere, Springfield, Taunton, Worcester, MA

**\*15. Descriptive Title of Applicant's Project**

Neighborhood stabilization program to facilitate the reclamation of distressed housing.

OMB Number: 4040-0004

Expiration Date: 01/31/2009

**Application for Federal Assistance SF-424**

Version 02

**16. Congressional Districts Of:**

\*a. Applicant: MA-008

\*b. Program/Project: MA-001, MA 002, cont'd.

**17. Proposed Project:**

\*a. Start Date: 12-1-09

\*b. End Date: 6-30-13

**18. Estimated Funding (\$):**

*a. Federal	<u>59,000,000</u>
*b. Applicant	<u>105,000,000</u>
*c. State	<u>                    </u>
*d. Local	<u>                    </u>
*e. Other	<u>                    </u>
*f. Program Income	<u>                    </u>
*g. TOTAL	<u>164,000,000</u>

**\*19. Is Application Subject to Review By State Under Executive Order 12372 Process?**

- ☐ a. This application was made available to the State under the Executive Order 12372 Process for review on \_\_\_\_\_
- ☐ b. Program is subject to E.O. 12372 but has not been selected by the State for review.
- ☐ c. Program is not covered by E. O. 12372

**\*20. Is the Applicant Delinquent On Any Federal Debt? (If "Yes", provide explanation.)**

☐ Yes      ☐ No

21. \*By signing this application, I certify (1) to the statements contained in the list of certifications\*\* and (2) that the statements herein are true, complete and accurate to the best of my knowledge. I also provide the required assurances\*\* and agree to comply with any resulting terms if I accept an award. I am aware that any false, fictitious, or fraudulent statements or claims may subject me to criminal, civil, or administrative penalties. (U. S. Code, Title 218, Section 1001)

☐ \*\* I AGREE

\*\* The list of certifications and assurances, or an internet site where you may obtain this list, is contained in the announcement or agency specific instructions

**Authorized Representative:**

Prefix:                     

\*First Name: Joseph

Middle Name: L.

\*Last Name: Flatley

Suffix: \_\_\_\_\_

\*Title: President & CEO

\*Telephone Number: 617-850-1000

Fax Number: 617-850-1100

\*Email: Flatley@mhic.com

\*Signature of Authorized Representative: 

\*Date Signed: 7/15/09

Authorized for Local Reproduction

Standard Form 424 (Revised 10/2005)

Prescribed by OMB Circular A-102



OMB Number: 4040-0004  
Expiration Date: 01/31/2009

**Application for Federal Assistance SF-424**

**Version 02**

**\*Applicant Federal Debt Delinquency Explanation**

The following should contain an explanation if the Applicant organization is delinquent of any Federal Debt.

Not applicable.

**Application for Federal Assistance SF-424**

**16.b. Congressional Districts, continued**

**Program/Project**

**MA-003**

**MA-004**

**MA-005**

**MA-006**

**MA-007**

**MA-008**

**MA-009**

**MHIC Consortium**

**NSP2 Application**

**SF-424 Supplement, Survey on Ensuring Equal Opportunities for  
Applicant ("Faith Based EEO Survey (SF-424-SUPP)")**

# SURVEY ON ENSURING EQUAL OPPORTUNITY FOR APPLICANTS

OMB No. 1890-0014 Exp. 2/28/2009

**Purpose:** The Federal government is committed to ensuring that all qualified applicants, small or large, non-religious or faith-based, have an equal opportunity to compete for Federal funding. In order for us to better understand the population of applicants for Federal funds, we are asking nonprofit private organizations (not including private universities) to fill out this survey.

Upon receipt, the survey will be separated from the application. Information provided on the survey will not be considered in any way in making funding decisions and will not be included in the Federal grants database. While your help in this data collection process is greatly appreciated, completion of this survey is voluntary.

**Instructions for Submitting the Survey:** If you are applying using a hard copy application, please place the completed survey in an envelope labeled "Applicant Survey." Seal the envelope and include it along with your application package. If you are applying electronically, please submit this survey along with your application.

**Applicant's (Organization) Name:** Massachusetts Housing Investment Corporation

**Applicant's DUNS Number:** 622165553

**Grant Name:** NPS2 **CFDA Number:** \_\_\_\_\_

1. Does the applicant have 501(c)(3) status?

☒ Yes ☐ No

2. How many full-time equivalent employees does the applicant have? (Check only one box).

☐ 3 or Fewer ☒ 15-50  
☐ 4-5 ☐ 51-100  
☐ 6-14 ☐ over 100

3. What is the size of the applicant's annual budget?

(Check only one box.)

☐ Less Than \$150,000  
☐ \$150,000 - \$299,999  
☐ \$300,000 - \$499,999  
☐ \$500,000 - \$999,999  
☐ \$1,000,000 - \$4,999,999  
☒ \$5,000,000 or more

4. Is the applicant a faith-based/religious organization?

☐ Yes ☒ No

5. Is the applicant a non-religious community-based organization?

☒ Yes ☐ No

6. Is the applicant an intermediary that will manage the grant on behalf of other organizations?

☐ Yes ☒ No

7. Has the applicant ever received a government grant or contract (Federal, State, or local)?

☒ Yes ☐ No

8. Is the applicant a local affiliate of a national organization?

☐ Yes ☒ No

**MHIC Consortium**  
**NSP2 Application**  
**Non-profit Organization Qualification**

**Massachusetts Housing Investment Corporation ("MHIC") is a non-profit corporation with a principal place of business at 70 Federal Street, Boston, Massachusetts 02110.**

**Evidence of non-profit status follows.**

Internal Revenue Service

Department of the Treasury

FEB 16 1993

Washington, DC 20224

► Massachusetts Housing  
Investment Corporation  
100 Franklin Street  
Boston, MA 02110

Person to Contact: L.E. Kawecki  
Telephone Number: (202) 622-7728  
Refer Reply to: E:EO:R:1  
Date: FEB 8 1993

Employer Identification Number: 04-3094550  
Key District: Brooklyn  
Accounting Period Ending: June 30  
Foundation Status Classification: 509(a)(2)  
Form 990 Required: Yes

Dear Applicant:

Based on information supplied, and assuming your operations will be as stated in your application for recognition of exemption, we have determined you are exempt from federal income tax under section 501(a) of the Internal Revenue Code as an organization described in section 501(c)(3).

We have further determined that you are not a private foundation within the meaning of section 509(a) of the Code, because you are an organization described in the section(s) above.

If your sources of support, or your purposes, character, or method of operation change, please let your key district know so that office can consider the effect of the change on your exempt status and foundation status. In the case of an amended document or bylaws, please send a copy of the amended document or bylaws to your key district. Also, you should inform your key District Director of all changes in your name or address.

As of January 1, 1984, you are liable for taxes under the Federal Insurance Contributions Act (social security taxes) on remuneration of \$100 or more you pay to each of your employees during a calendar year. You are not liable for the tax imposed under the Federal Unemployment Tax Act (FUTA).

Since you are not a private foundation, you are not subject to the excise taxes under Chapter 42 of the Code. However, you are not automatically exempt from other federal excise taxes. If you have any questions about excise, employment, or other federal taxes, please contact your key District Director.

Donors may deduct contributions to you as provided in section 170 of the Code. Bequests, legacies, devises, transfers,

Massachusetts Housing Investment Corporation

or gifts to you or for your use are deductible for federal estate and gift tax purposes if they meet the applicable provisions of sections 2055, 2106, and 2522.

Donors (including private foundations) may rely on this ruling unless the Internal Revenue Service publishes notice to the contrary. However, if you lose your 509(a) status as shown above, donors (other than private foundations) may not rely on the classification shown above if they were in part responsible for, or were aware of, the act that resulted in your loss of such status, or they acquired knowledge that the Internal Revenue Service had given notice that you would be removed from that classification. Private foundations may rely on the classification as long as you were not directly or indirectly controlled by them or by disqualified persons with respect to them. However, private foundations may not rely on the classification shown above if they acquired knowledge that the Internal Revenue Service had given notice that you would be removed from that classification.

If your organization conducts fund-raising events such as benefit dinners, auctions, membership drives, etc., where something of value is received in return for contributions, you can help your donors avoid difficulties with their income tax returns by assisting them in determining the proper tax treatment of their contributions. To do this you should, in advance of the event, determine the fair market value of the benefit received and state it in your fund-raising materials such as solicitations, tickets, and receipts in such a way that your donors can determine how much is deductible and how much is not. To assist you in this, the Service has issued Publication 1391, Deductibility of Payments Made to Organizations Conducting Fund-Raising Events. You may obtain copies of Publication 1391 from your key district office.

In the heading of this letter we have indicated whether you must file Form 990, Return of Organization Exempt from Income Tax. If Yes is indicated, you are required to file Form 990 only if your gross receipts each year are normally more than \$25,000. If your gross receipts each year are not normally more than \$25,000, we ask that you establish that you are not required to file Form 990 by completing Part I of that Form for your first year. Thereafter, you will not be required to file a return until your gross receipts exceed the \$25,000 minimum. For guidance in determining if your gross receipts are "normally" not more than the \$25,000 limit, see the instructions for the Form 990. If a return is required, it must be filed by the 15th day of the fifth month after the end of your annual accounting period. A penalty of \$10 a day is charged when a return is filed late, unless there



Massachusetts Housing Investment Corporation

is reasonable cause for the delay. The maximum penalty charged cannot exceed \$5,000 or 5 percent of your gross receipts for the year, whichever is less. This penalty may also be charged if a return is not complete, so please be sure your return is complete before you file it.

You are required to make your annual return available for public inspection for three years after the return is due. You are also required to make available a copy of your exemption application, and supporting documents, and this exemption letter. Failure to make these documents available for public inspection may subject you to a penalty of \$10 per day for each day there is a failure to comply (up to a maximum of \$5,000 in the case of an annual return). See Internal Revenue Service Notice 88-120, 1988-2 C.B. 454, for additional information.

You are not required to file federal income tax returns unless you are subject to the tax on unrelated business income under section 511 of the Code. If you are subject to this tax, you must file an income tax return on Form 990-T, Exempt Organization Business Income Tax Return. In this letter we are not determining whether any of your present or proposed activities are unrelated trade or business as defined in section 513 of the Code.

You need an employer identification number even if you have no employees. Please use that number on all returns you file and in all correspondence with the Internal Revenue Service.

We are informing your key District Director of this ruling. Because this letter could help resolve any questions about your exempt status and foundation status, you should keep it in your permanent records.

If you have any questions about this ruling, please contact the person whose name and telephone number are shown in the heading of this letter. For other matters, including questions concerning reporting requirements, please contact your key District Director.

Sincerely,

*Marvin Friedlander*  
Marvin Friedlander  
Chief, Exempt Organizations  
Rulings Branch 1

**MHIC Consortium**

**NSP2 Application**

**Consortium Agreement**

## **CONSORTIUM AGREEMENT**

**THIS CONSORTIUM AGREEMENT** (this "Agreement") is made and entered into as of the 1<sup>st</sup> day of July, 2009, by and between the Massachusetts Housing Investment Corporation, a non-profit corporation with a principal place of business at 70 Federal Street, Boston, Massachusetts 02110 ("MHIC"), the Massachusetts Housing Partnership Fund Board, a Massachusetts public instrumentality and body politic and corporate with a principal place of business at 160 Federal Street, Boston, Massachusetts 02110 ("MHP"), and The Commonwealth of Massachusetts acting by and through its Department of Housing and Community Development with a principal place of business at 100 Cambridge Street, Suite 300, Boston, Massachusetts 02114 ("DHCD"), (collectively, the "Consortium Members").

**WHEREAS**, the Consortium Members desire to enter into a consortium (the "Consortium") in connection with their application for Neighborhood Stabilization Program 2 (NSP2) funds; and

**WHEREAS**, the Consortium Members are ready, willing and able to enter into the Consortium; and

**WHEREAS**, the Consortium Members desire to cooperatively implement program activities as described in their application for NSP2 funds; and

**WHEREAS**, the Consortium Members are ready, willing and able to implement such activities.

**NOW THEREFORE**, in consideration of the premises, and the mutual covenants and obligations herein contained, the parties agree as follows:

1. **BASIC OBJECTIVES.** The Consortium Members agree to work cooperatively in implementing program activities as described in their application for NSP2 funds in connection with the Notice of Fund Availability for NSP2 issued by the U.S. Department of Housing and Urban Development ("HUD") on May 4, 2009. A copy of the Consortium's application for NSP2 funds is attached hereto as **Exhibit A**. In the event that there are any changes to the Consortium's application approved by HUD, such approved application shall be substituted for **Exhibit A** hereto.

2. **TIME OF PERFORMANCE.** This Agreement shall begin on July 1, 2009 and end on December 31, 2013 unless such time is extended by written agreement of the parties, executed in the same manner as this Agreement. Notwithstanding the forgoing, the term of this Agreement and the provisions herein shall automatically be extended to cover any additional time period during which any Consortium Member remains in control of NSP2 funds or other NSP2 assets, including program income, resulting from the Consortium's NSP2 program.

3. **APPOINTMENT OF LEAD MEMBER.** The Consortium Members hereby appoint MHIC to serve as lead member (the "Lead Member") of the Consortium.

4. **RESPONSIBILITIES OF LEAD MEMBER.** The Lead Member assumes the responsibility of acting in a representative capacity for all Consortium Members as required by HUD in its Notice of Fund Availability for NSP2. The Lead Member further assumes responsibility for ensuring the Consortium's NSP2 program is carried out in compliance with all statutory and regulatory requirements applying to the use of NSP2 funds and in substantial compliance with the Consortium's approved NSP2 application.

5. **INTERNAL AUDIT.** The Director of Asset Management of MHIC (currently Richard Becker) shall be responsible for, and is hereby authorized to, carry out internal audits of the Consortium's NSP2 program. Such audits will be conducted periodically in accordance with the monitoring plan in the Consortium's NSP2 application and will examine potentially risky areas of program operations and management and provide feedback to each of the Consortium Members and their program managers.

6. **MAINTENANCE AND EXAMINATION OF RECORDS.** Each Consortium Member assumes the responsibility of maintaining such records as are required by HUD and as are necessary for the Lead Member to ensure compliance of the Consortium's NSP2 program with all applicable requirements and with the Consortium's NSP2 application. The Consortium Members agree that any duly authorized representatives of the Lead Member shall, until the expiration of five (5) years after the termination of this Agreement, or such longer period as may be required due to an audit finding, upon reasonable notice, have access to and the right to examine any books, documents, papers and records of the Consortium Members, involving transactions related to the Consortium's NSP2 program.

7. **ARRA REPORTING.** If applicable, MHIC and MHP shall provide to DHCD such reports on completion status of projects and activities, job creation and retention, and other information as DHCD may require and request in writing in order to comply with the American Recovery and Reinvestment Act of 2009, pursuant to M-09-21 Implementing Guidance for the Reports on Use of Funds Pursuant to the American Recovery and Reinvestment Act of 2009 (U.S. Office of Management and Budget, June 22, 2009) and other directives.

8. **FUNDING AGREEMENTS.** Provided that the Consortium's NSP2 application is deemed fundable by HUD, Consortium Members hereby agree to execute Consortium Funding Agreements, as required by the NSP2 Notice of Fund Availability, no later than December 1, 2009.

9. **STATE CONSORTIUM MEMBERS.** MHP and DHCD, as state Consortium Members, are hereby authorized to assume all responsibility for environmental review, decision-making, and action for proposed projects within their jurisdiction of The Commonwealth of Massachusetts on behalf of the Consortium in accordance with the requirements of 24 CFR Part 58.

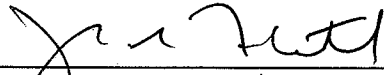
10. **LEGAL AUTHORITY.**

- A. Each Consortium member assures and guarantees that it possesses the legal authority, pursuant to any proper, appropriate and official motion, resolution or action passed or taken, to enter into this Agreement.

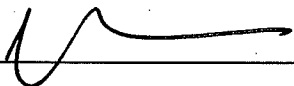
- B. The persons signing and executing this Agreement on behalf of the Consortium Members do hereby represent and warrant that he/she or they have been fully authorized by their respective Consortium Member to execute this Agreement on behalf of the Consortium Member and to validly and legally bind the Consortium Member to all of the terms, performances and provisions herein set forth.

**IN WITNESS WHEREOF**, the parties hereto have executed this Agreement as of the date first above written.


**MASSACHUSETTS HOUSING INVESTMENT CORPORATION,**  
as Consortium Member and as Lead Member

By:   
Name: Joseph L. Flatley  
Its: President and CEO

**MASSACHUSETTS HOUSING PARTNERSHIP FUND BOARD,**  
as Consortium Member

By:   
Name: Clark L. Ziegler  
Executive Director  
Its: \_\_\_\_\_

**THE COMMONWEALTH OF MASSACHUSETTS, ACTING BY  
AND THROUGH ITS DEPARTMENT OF HOUSING AND  
COMMUNITY DEVELOPMENT,**  
as Consortium Member

By:   
Name: Tina Brooks  
Its: Undersecretary

**MHIC Consortium**

**NSP2 Application**

**Program Summary**

## ***MHIC Consortium NSP2 Application Overview***

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***Funding requested.*** The Massachusetts Housing Investment Corporation (“MHIC”) is applying to the U.S. Department of Housing and Urban Development (“HUD”) for \$59 million in funding from the federal Neighborhood Stabilization Program (“NSP2”) authorized by the American Recovery and Reinvestment Act of 2009. Over a 3-year period, MHIC’s proposed neighborhood stabilization program will facilitate the reclamation of 570 foreclosed and abandoned properties in 14 distressed communities across Massachusetts, representing 40% of the 1,410 REO properties in those communities. It is anticipated that more than half, or approximately 320 of the properties, will be small multi-family properties. In total, it is estimated that 1,200 units of affordable housing will be restored to the housing inventory through MHIC’s neighborhood stabilization initiative.

***Eligible applicant.*** The proposed program will be implemented by a consortium of three of the state’s primary housing entities including the Commonwealth’s Department of Housing and Community Development (“DHCD”). These entities are well established with substantial experience implementing affordable housing programs. MHIC, a non-profit corporation established in 1990 to provide debt and equity financing for the creation and preservation of affordable housing in low-income neighborhoods throughout Massachusetts, is the lead agency and administrator of the Neighborhood Stabilization Loan Fund. Evidence of MHIC’s non-profit status is included as Attachment 3. The Massachusetts Housing Partnership Fund Board (“MHP”), an instrumentality of the Commonwealth of Massachusetts, is the administrator of the homebuyer assistance component of the program. As lead agency, MHIC will be responsible for the internal audit function to ensure effective use of the NSP2 funds and ensure compliance with all NSP2 requirements. DHCD and MHP, as state consortium members, will assume responsibility for required environmental reviews. The Consortium Agreement, executed by all three parties, is included as Attachment 4. The MHIC Consortium will comply with all applicable fair housing and civil rights requirements in 24 CFR 5.105(a).

***Eligible uses of funds.*** MHIC’s neighborhood stabilization strategy has two primary components: (1) the Neighborhood Stabilization Loan Fund (“NSLF”) to finance the acquisition and rehabilitation of foreclosed and abandoned properties and the redevelopment of vacant properties (typically 2-4 family) by approved for-profit and non-profit sponsors; and (2) a homebuyer incentive and rehabilitation program for the purchase and improvement of foreclosed properties (typically 1-3 family) by individual homebuyers.

The NSLF provides revolving acquisition/construction loans and lines of credit to approved non-profit and for-profit sponsors for the acquisition and rehabilitation of foreclosed and abandoned properties. NSP2 funds will be used for the acquisition and rehabilitation of properties acquired through the NSLF. This qualifies under NSP-eligible uses (B) and (E) and CDBG-eligible uses 24 CFR 570.201(a), 24 CFR 570.202 and 24 CFR 570.206.

The MHIC Consortium’s homebuyer program will provide financial incentives for responsible buyers willing to purchase foreclosed properties to maintain and increase

owner occupancy in the target neighborhoods. The program is an expansion of MHP's proven SoftSecond Loan Program which, since 1991, has helped 13,144 low- and moderate-income first-time homebuyers purchase homes in Massachusetts. NSP2 funds will be used for interest subsidies, loan loss reserves (to replace more costly private mortgage insurance) and down payment and rehabilitation assistance. This qualifies under NSP-eligible uses (A) and (B) and CDBG-eligible uses 24 CFR 570.201(n), 24 CFR 570.202 and 24 CFR 570.206.

***Income targeting/benefit.*** In accordance with NSP2 requirements, all MHIC Consortium NSP2 funds will be used with respect to individuals and families whose income does not exceed 120% of the area median income ("AMI") and at least 25% of such funding will be used for the purchase and rehabilitation of abandoned and foreclosed homes or residential properties that will serve households with incomes at or below 50% of AMI.

Properties financed through the NSLF will be acquired, rehabilitated as needed and primarily rented to eligible households, although a small number will be sold to eligible homebuyers. All such units that receive NSP2 funds (on a pro rata basis) will be limited to households with incomes at or below 120% of AMI. All such units will be affordable for a minimum of 15 years.

Total income for households receiving homebuyer assistance will be limited to 120% AMI. If a homebuyer purchases a property with rental units, in accordance with NSP guidance there may be limits on rent charges and tenant income may have to be limited to 120% AMI. All such NSP2 funds provided will be required to be repaid for 5 -15 years depending on the amount of assistance provided; the repayment obligation will be reduced for each year the homeowner occupies the property.

***Citizen participation.*** A notice containing information on the amount of NSP2 funds requested, the proposed uses of funds and target geography was posted on the internet and published in newspapers of general circulation on July 3, 2009, inviting public comment through July 14, 2009 at 5PM, for a total of 12 calendar days. The notice was published in the following newspapers of general circulation: The Boston Globe, the Worcester Telegram and Gazette and the Springfield Republican. It appeared at the following URLs throughout the comment period:

<http://www.mhic.com/NSLF.cfm?Page=NSLF&LIMarginLeft=0&MainMenu=&SubMenu1=none&SubMenu2=none&SubMenu3=none&Bio=&InheritLinkLocation=xHome&Inherit=2&PageDisplayOrder=3&LinkTopBarDisplayName=Neighborhood Stabilization Loan Fund> and at

[http://www.mhp.net/vision/news.php?page\\_function=detail&mhp\\_news\\_id=280](http://www.mhp.net/vision/news.php?page_function=detail&mhp_news_id=280).

To ensure that all citizens have equal access to information about the application and proposed programs, the notice included translations in Spanish, Portuguese, Russian, Chinese and Vietnamese, directing persons with limited English proficiency to Google's translator service. A summary of comments received is included as Appendix 5.

***Demonstrated organizational capacity.*** MHIC, MHP and DHCD have successfully carried out and completed activities similar to those proposed in this application involving at least 75 units of housing in the 24 months prior to the May 4, 2009 NSP2



NOFA. Between May 4, 2007 and May 3, 2009, MHIC financed the acquisition of 906 residential units and the rehabilitation of 1,098 residential units. MHP assisted 2,985 homebuyers with interest subsidies and/or loan loss reserves. In addition, DHCD provided oversight for grantees that provided down payment and/or rehabilitation assistance involving at least 75 units of housing.

**Definitions.** Blighted structure – Consistent with the guidance in Massachusetts General Laws Chapters 121A and 121B, the MHIC Consortium defines blighted structure for the purposes of NSP2 as a building that by reasonable determination displays physical deterioration that renders the building unfit for human habitation, obsolete or in need of major maintenance or repair or lacks ventilation, light or sanitation facilities contributing to a condition that is detrimental to safety, health or morals.

Affordable rents – Maximum rents, less an allowance for tenant-paid utilities, will not exceed the greater of: (a) the lesser of (1) the “High HOME Rent” or 30% of the monthly income of a household earning 65% of AMI, adjusted for the number of bedrooms in the unit, or (2) the HUD Fair Market Rent; or (b) such other rent as HUD deems appropriate for a household earning up to 120% of AMI. In the case of units serving households at or below 50% of AMI, rents will not exceed “Low HOME Rent” or 30% of 50% of AMI, adjusted for bedroom size. If the unit has a project-based rental subsidy, the maximum rent will be the rent established by the subsidy program.

With regard to continued affordability, MHIC will ensure that all rental properties assisted with NSP2 funds will be subject to affordable housing restrictions recorded with the appropriate registry of deeds restricting tenant incomes and the maximum rents that can be charged in accordance with the forgoing for a minimum of 15 years. Similar restrictions will be imposed on rental units in properties purchased by homebuyers if applicable, using the NSP “pro rating” guidance and in accordance with HOME program requirements. Homeownership developments funded through the NSLF will be affordable for a period of 15 years, subject to recapture in accordance with the HOME program. In the homebuyer assistance component of the program, funds will be subject to recapture for 5-15 years depending on the amount of assistance provided and in accordance with HOME program requirements. All such homebuyer obligations will be secured by a recorded mortgage or covenant running with the land.

Housing rehabilitation standards: All properties will be rehabilitated to bring them into compliance with the Massachusetts State Sanitary Code; meet accessibility standards at 24 CFR part 8; to be energy efficient; incorporate cost-effective green elements; and, be of sufficient quality to be rented or sold, which may include improvements to the exterior of properties that are necessary to improve the visual appeal and marketability of the distressed target neighborhood. All gut rehabilitation of residential structures up to 3-stories will be designed to meet the standard for Energy Star Qualified New Homes. Other rehabilitation will meet these standards to the extent applicable to the work undertaken; for example, replacing older obsolete products and appliances with Energy Star-labeled products. Where replaced and/or installed, all toilets, faucets and showers will be water efficient.

**MHIC Consortium**

**NSP2 Application**

**Narrative Statements**

## **1. Need/ Extent of the Problem**

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### **a. Target Geography:** *(10 points).*

The MHIC Consortium is targeting the most distressed urban neighborhoods throughout Massachusetts which have been severely impacted by the foreclosure crisis, particularly due to the foreclosure of two- and three-family properties. The Consortium identified 142 census tracts in 14 older urban communities across Massachusetts to target for neighborhood stabilization activities. These municipalities are among the hardest hit urban communities within the Commonwealth of Massachusetts where foreclosure activity and vacancies are high and homeownership rates are below the state average. According to data from The Warren Group/CHAPA, there are currently 4,527 foreclosed properties ("REO") in Massachusetts, of which 1,410, or 31% are located in the target communities.

The targeted census tracts within these communities were chosen in consultation with local planning officials and based on a survey of information available through a variety of sources including HUD's foreclosure and vacancy risk scoring, and REO data from the Federal Reserve Bank of Boston and The Warren Group/CHAPA. The targeted census tracts are located in the following municipalities: Boston, Brockton, Chelsea, Fall River, Fitchburg, Holyoke, Lawrence, Lowell, Lynn, New Bedford, Revere, Springfield, Taunton and Worcester.

Exhibit 1 identifies each target census tract by municipality and provides the HUD need scores for each. Calculated against the highest score for each census tract, the average score for all is 18.74.

### **(1) Local Housing Market**

Over the past 20 years, community development corporations, housing intermediaries, and local and state governments have invested considerable resources in the 14 municipalities containing the target census tracts. Since 1993, MHP has lent over \$250 million to support multi-family rental housing in these communities, while MHIC has provided over \$325 million in financing since 1991 in the target census tracts for projects whose development costs totaled \$503 million. In addition, MHP has supported over 8,000 low- and moderate-income first-time homebuyers in these communities reflecting a public investment of over \$36 million and private bank financing of \$1.2 billion. These efforts have contributed to overall re-investment. According to US Census Bureau building permit data, 24,687 new units of housing were permitted in these 14 municipalities from 2000 to 2008.

The recent wave of foreclosures undermines these efforts. As of April 1, 2009, there were 2,312 lender-owned (REO) properties, with a total of 3,860 housing units, in the 14 communities in which the target tracts are located. (See Table 1 below.) Of the total 2,312 properties in the 14 communities, 1,410 are located in the target census tracts. There are another 4,358 properties containing 6,846 units where a petition to foreclose has been filed or an auction has been scheduled in the target communities. *(Source:*

Massachusetts Housing Partnership analysis of CHAPA/Warren Group data.) The recent deterioration in employment conditions, discussed in Section 1.a.3 below, is expected to result in an increase in the number of foreclosed and distressed properties in these communities.

<b>Table 1: Lender Owned (REO) Properties as of 4/1/2009 in Municipalities Containing Target Census Tracts, by Housing Type</b>					
<i>Municipality</i>	<i>Single-Family</i>	<i>Condominium</i>	<i>Two-Family</i>	<i>Three-Family</i>	<i>Total</i>
Boston	102	247	151	146	646
Brockton	104	35	52	44	235
Chelsea	13	21	17	7	58
Fall River	36	18	7	24	85
Fitchburg	32	4	13	16	65
Holyoke	16	2	6	2	26
Lawrence	34	18	50	39	141
Lowell	36	19	25	9	89
Lynn	63	24	64	46	197
New Bedford	39	9	23	25	96
Revere	22	20	38	9	89
Springfield	126	2	108	42	278
Taunton	34	16	16	9	75
Worcester	111	33	34	54	232
<b>Total</b>	<b>768</b>	<b>468</b>	<b>604</b>	<b>472</b>	<b>2,312</b>
<b>Percent of Total</b>	<b>33%</b>	<b>20%</b>	<b>26%</b>	<b>20%</b>	<b>100%</b>

Source: *Massachusetts Housing Partnership analysis of CHAPA/Warren Group data.*

Median home prices are consistently below the statewide median sales prices, even in the Boston neighborhoods. The Warren Group reported that the Massachusetts median home price in May 2009 was \$280,000. This compares to median sales prices for January-May 2009 in the 14 communities ranging from \$75,000 in Springfield to \$135,000 in Brockton to \$232,000 in Boston's Hyde Park neighborhood.

According to data from the Federal Reserve Bank of Boston/The Warren Group, on average, median home prices declined 32% in the zip codes containing the targeted census tracts, compared to 19% for zip codes statewide, between the periods of January 2005 to June 2006 and January 2008 to March 2009. As of May 2009, thirteen of the 14 target communities had experienced price declines greater than 36%. Only Holyoke, whose home prices only rose 2% from 1994 to 2005, had a smaller decline (15%). (See Table 2 below.) In general, prices are now at levels that have not been seen since 2000.

During the same period, the volume of sales has also dropped dramatically, with changes of 35% to 61% (with the notable exception of Lawrence which has experienced only a 1% decline). Nine of the 14 communities have seen volume decrease by more than 50% compared to only 19% for zip codes statewide (see Table 2).

<b>Table 2: Change in Median Sales Prices Volumes, Communities Containing Target Census Tracts</b>			
<i>Municipality</i>	<i>Change in Median Sales Prices, 1994-2005</i>	<i>Change in Median Sales Prices, 2005-2009</i>	<i>Change in Sales Volume, 2005-2009</i>
Boston-Dorchester	437%	-55%	-36%
Boston-East Boston	526%	-42%	-57%
Boston-Hyde Park	216%	-37%	-52%
Boston-Mattapan	290%	-51%	-50%
Boston-Roxbury	322%	-43%	-48%
Brockton	290%	-52%	-44%
Chelsea	277%	-42%	-59%
Fall River	155%	-37%	-46%
Fitchburg	207%	-49%	-52%
Holyoke	102%	-15%	-47%
Lawrence	493%	-52%	-1%
Lowell	262%	-37%	-61%
Lynn	274%	-45%	-35%
New Bedford	200%	-41%	-39%
Revere	257%	-43%	-47%
Springfield	114%	-50%	-52%
Taunton	173%	-36%	-54%
Worcester	173%	-43%	-51%

*Source: The Warren Group. 2009 figures are through May 2009, with sales volume annualized.*

Notably, the target area contains 51%, of the 1,481 two- and three-family properties in REO across Massachusetts. Small multi-family properties are a common housing type in the older urban communities of Massachusetts and they have long been a source of de facto unsubsidized affordable housing. Once foreclosed, however, these properties can have a debilitating effect on their neighborhoods because they are slower to clear the market than the single-family inventory (Federal Reserve Bank of Boston). In the interim and until returned to responsible ownership, these properties are subject to vandalism and theft or become home to squatters, bringing property values down and creating an increased demand on public safety departments.

## **(2) Credit Conditions**

While disproportionately few loans were made in the target census tracts, a high percentage of them were high costs loans, as the traditionally underserved market – low-income census tracts and minority buyers – were aggressively targeted by sub-prime lenders. Based on Home Mortgage Disclosure Act (HMDA) data provided by HUD, the MHIC Consortium's NSP2 target area accounted for only 68,923, or 8.5%, of 809,591 home purchase and refinance loans made from 2004-2006 in Massachusetts. At the same time, however, the target area accounted for 28,008, or 19.4%, of the 144,018 mortgages identified as "high cost loans" during the same period. Fully 41% of all purchase and

refinance mortgages in the target area were high cost loans, compared with just 18% statewide.

A January 2009 report by the Mauricio Gastón Institute for Latino Community Development and Public Policy at the University of Massachusetts/Boston entitled *Changing Patterns XV* describes this phenomenon as reverse redlining in which an area that previously had trouble getting any loans became a target for high cost loans. The report, which reviewed lending patterns in Massachusetts in 2007, found that the share of high cost loans in 2007 was greater in neighborhoods with lower income levels and higher percentage of minority residents and that total purchase loan lending by sub-prime lenders to blacks and Latinos was concentrated in a small number of towns. The percentage of high cost loans was highest in Springfield, Brockton, Lawrence and Lynn, all of which are target communities in this application. The report also notes that there is a considerable correlation between subprime lending and foreclosure.

Even as home prices decline, rising credit standards are keeping buyers out of the market and making it harder to finance certain types of properties. A March 2009 article in the *Boston Globe* found that condominiums and multi-family homes, which make up a substantial portion of the bank-owned properties in the target area (17% and 53%, respectively), are more vulnerable to these new standards. For these properties, higher down payment and high owner-occupancy condominium requirements have disqualified many potential homebuyers.

### **(3) Employment Conditions and Population Growth**

Employment conditions have deteriorated rapidly across Massachusetts. From May 2008 to May 2009, the statewide unemployment rate increased from 4.8% to 8%. The Massachusetts Department of Workforce Development's report on Q1 2009 hiring expectations does not provide a great deal of hope in the short term, as only 9% of employers were expecting to increase their labor force, compared to 22% the year before. Statewide employment has declined 3.4% from the recent peak in March 2008 to May 2009. Indeed, Massachusetts never fully recovered from the 2001 recession as employment in May 2009 was down 5.8% from the historical peak of February, 2001 (Source: Bureau of Labor Statistics, seasonally adjusted employment data).

According to data from the Massachusetts Executive Office of Labor and Workforce Development, employment conditions in the 14 target municipalities have deteriorated with the state as a whole. With the exception of Boston, unemployment rates in all of the target communities exceed the state average of 8% as of May 2009. Lawrence, Fall River and New Bedford have been particularly hard hit with unemployment rates of 16.6%, 13.9% and 12.9% respectively. From May 2008 to May 2009 unemployment rates increased as much as 88% and 81% in Fall River and Fitchburg. Even in the Greater Boston area, rates climbed significantly -- 55% in Boston, 57% in Revere and 59% in Chelsea.

Employment conditions are considerably worse in the non-Boston area cities, with unemployment rates averaging 11.6%, -- 44% higher than for the state as a whole.

Current unemployment levels are not available by census tract for the target geography, but in 2000, the US Census reports that these tracts had an unemployment rate of 8.7%, compared to 4.6% for Massachusetts. In addition, the target census tracts in Boston had an unemployment rate of 10.2%, compared to 7.2% for Boston as a whole.

Long-term population trends reinforce the difficulties that these communities face in absorbing foreclosed properties. According to data from the US Census Bureau, nine of 14 target communities lost population from 2000 to 2007, while the State population grew by 1.3%. During the same period, Boston, Fitchburg and Revere maintained a growth rate comparable to state levels, while Worcester was stagnant at .5%. Only Chelsea experienced substantial growth at 7.4%. But population growth was not enough to save Chelsea from the foreclosure crisis gripping the target communities. Data from The Warren Group from April to November of 2008 indicates that 58% of two-family and 78% of three-family sales in Chelsea involved a bank at or after foreclosure.

In summary, the fourteen communities and, in particular the 142 target tracts within them, have suffered disproportionately from worsening market conditions, tightened credit availability and deteriorating employment conditions

**b. Market Conditions and Demand Factors (30 points)**

**(1) Projected absorption of foreclosed properties**

Many of the factors afflicting the target communities – tightening credit standards, rising unemployment, population loss -- undermine the ability of the market to absorb foreclosed properties. Suburban towns or neighborhoods with a few, scattered properties in foreclosure may find those properties absorbed by the market quickly, through a market sale, a short sale, or at auction. However, the urban neighborhoods included in this application have higher concentrations of foreclosures, and higher unemployment. An analysis of CHAPA/Warren Group data reveals an estimated 90% of properties auctioned in these communities are purchased back by the lender at the auction.

The most straightforward calculation of absorption measures the number of REO properties relative to the medium-to-long term rate at which these and other homes sell. Using this measure, it is expected that the 1,410 properties that are currently held by lenders in the target census tracts represent three months of supply. Another 2,210 properties have auctions scheduled or have had petitions filed. As shown in Table 3 below, if all of these properties were foreclosed, they would add another 4.6 months of supply.

These numbers may appear small, but they are in addition to other properties on the market, including short sales. On average, there is a six-month of supply of properties currently on the market in the targeted 13 cities and five Boston neighborhoods. As shown in Table 4 below, there is considerable variation from city to city, with only three months' supply in Boston's Hyde Park neighborhood, but 9.7 months in the Fall River.

<b>Table 3: Months of Supply, Distressed and REO Properties, Target Geography, by Municipality</b>					
<i>Municipality</i>	<i>Distressed Properties</i>	<i>REO Properties</i>	<i>Annual Residential Sales Volume</i>	<i>Months of Supply-Distressed</i>	<i>Months of Supply-REO</i>
Boston	400	359	1121	4.3	3.8
Brockton	323	170	722	5.4	2.8
Chelsea	65	32	166	4.7	2.3
Fall River	61	48	162	4.5	3.6
Fitchburg	57	42	212	3.2	2.4
Holyoke	22	18	65	4.1	3.3
Lawrence	192	104	490	4.7	2.5
Lowell	47	18	126	4.5	1.7
Lynn	120	77	237	6.1	3.9
New Bedford	118	61	253	5.6	2.9
Revere	76	50	261	3.5	2.3
Springfield	454	243	1033	5.3	2.8
Taunton	57	52	266	2.6	2.3
Worcester	218	136	614	4.3	2.7
<b>Target Area</b>	<b>2210</b>	<b>1410</b>	<b>5728</b>	<b>4.6</b>	<b>3.0</b>

*Sources/Notes: Sales, July 2008-June 2009, The Warren Group. Distressed (petition filed or auction scheduled) and REO properties, CHAPA/Warren Group. All data is based on target census tracts, aggregated to municipality.*

<b>Table 4: Months of Supply, Current For Sale Listings, by Town/Neighborhood</b>			
<i>City/Neighborhood</i>	<i>Sales Volume (Jan-May 2009, Annualized)</i>	<i>Property Listings, 7/14/2009</i>	<i>Months of Supply On Market</i>
Boston-Dorchester	1,106	386	4.2
Boston-East Boston	269	130	5.8
Boston-Hyde Park	211	53	3.0
Boston-Mattapan	156	64	4.9
Boston-Roxbury	353	263	8.9
Brockton	1,046	360	4.1
Chelsea	228	125	6.6
Fall River	622	502	9.7
Fitchburg	449	327	8.7
Holyoke	271	160	7.1
Lawrence	758	262	4.1
Lowell	850	433	6.1
Lynn	922	369	4.8
New Bedford	809	489	7.3
Revere	458	235	6.2
Springfield	1,632	815	6.0
Taunton	470	295	7.5
Worcester	1,750	863	5.9
<b>Total</b>	<b>12,360</b>	<b>6,131</b>	<b>6.0</b>

*Source: The Warren Group (volume) and Realtor.com (listings)*



The Federal Reserve Bank of Boston found that the average median number of months on the market for REOs in the target census tracts is 8.8 months, compared to a statewide median of seven months. This is significantly higher than a similar measure provided for by the Massachusetts Association of Realtors for *all* listed properties of 4.9 months. In neighborhoods of Boston and Springfield, the median time that an REO can be expected to be on the market exceeds 10 months.

## **(2) Underlying causes of abandonment and foreclosure in target geography**

According to a 2008 report by the Donahue Institute at the University of Massachusetts, overproduction of new homes, which occurred in many of the nation's housing markets, is not the cause of abandonment and foreclosure in Massachusetts. "Unlike parts of the country that experienced overbuilding, Massachusetts does not have a glut of unsold inventory of newly built homes. A detailed review of building permit and other public records revealed that much of the state's recent housing production was concentrated in three market segments: market rate condominiums, age restricted (55 and over) housing, and high-end rentals."

Rather, foreclosures in Massachusetts and the target communities have been caused by overvaluation, easy access to credit and rising unemployment. According to the Donahue report: "Between 1995 and 2000, Massachusetts added more than 423,000 new jobs. This economic growth boosted incomes and attracted new workers to the state and led to dramatic increases in rents and home prices. From 2001 to 2006, however, conditions and practices in the broader financial and mortgage markets – including low interest rates, easily available credit, a proliferation of exotic new mortgage instruments and their derivatives, and an expanded secondary market for mortgage-backed securities – fueled home-buying and price escalation here and elsewhere."

The NSP2 target communities were particularly hard hit by these dynamics as sub-prime lenders targeted these previously underserved areas. As noted in Section 1.a (2) above, the NSP2 target area accounted for only 9% of all home purchase and refinance loans made in Massachusetts from 2004-2006, but it accounted for 19% of mortgages identified as "high cost loans" during the same period.

HMDA and Census data helps to highlight the role of sub-prime lending in the target census tracts. From 2004 to 2006, a total of 28,009 high cost loans were made in the target census tracts, representing 41 percent of all purchase and refinance loans during this period – more than double the statewide rate of 18 percent. Among the 142 target census tracts, all had high-cost loan lending rates higher than for the state. In 82 of the target tracts (58%), high-cost loans made up more than 40% of loans, with a staggering rate of 72% in Lawrence's tract 251100.

Home price increases in the target geography exceeded Massachusetts's price increases, indicative of an over-valuation tied to easy credit. According to the Massachusetts Association of Realtors, statewide median single-family prices increased 114% from 1994 to 2005, while median condominium prices increased 152%. In the NSP2 target

area, however, the median price for single-family homes and condominiums combined increased over 150% in all but two communities (Holyoke and Springfield), with Lawrence and the Boston neighborhoods of Dorchester, East Boston and Roxbury exceeding 300%.

In a recent study, Christopher Foote, Kristopher Girardi and Paul Willen of the Federal Reserve Bank of Boston examined the current foreclosure crisis and the Massachusetts foreclosure crises of the early 1990's and have created a "double trigger" theory of foreclosures. According to this theory, foreclosures rarely occur in markets with increasing prices, as distressed homeowners are able to sell a property before a foreclosure occurs. Thus, the first trigger for Massachusetts's foreclosures was declining home prices, which began in late 2005/early 2006. It takes a second trigger for an actual foreclosure to occur, which can include unaffordable mortgage terms, but generally is due to a loss of income or other life event. In Massachusetts, neighborhoods with a high concentration of sub-prime loans were hit earliest and hardest by the foreclosures, consistent with the finding by the Gaston Institute of a significant correlation between high cost loans and foreclosure. As the economy has further deteriorated, homeowners in other neighborhoods or with prime mortgages are also beginning to default. According to Federal Reserve data, in early 2006, subprime adjustable rate mortgages made up more than 50% of Massachusetts foreclosures. Currently, this type makes up less than 30% of foreclosures, with prime fixed rate loans now the largest source of foreclosures (35%).

In the target census tracts, sub-prime lending and historically higher unemployment levels make for a dangerous mix, creating the perfect conditions for the double-trigger theory. In the 2000 census, 104 of the 142 target census tracts (73%) had an employment rate of 6.9% or more, which was 150% of the statewide unemployment rate of 4.6%. As discussed in Section 1.a (3) above, unemployment has increased dramatically in the 14 target municipalities, with New Bedford, Fall River and Lawrence topping the list.

### **(3) Income characteristics of households in target geography and housing cost burden at 50%, 80% and 120% of AMI.**

Massachusetts faces serious housing affordability challenges, with 47% of renters and 35% of owners experiencing housing cost burdens in 2005-2007 (US Census Bureau, American Community Survey). Housing affordability presents serious difficulties for the most vulnerable populations — renters, families, the young and old, and especially the poor. This is especially true in the target geography. Census tabulations made available through HUD User provide cost burden data for 2000 by census tract for those making 50%, 80% and 95% of AMI. For the target area as a whole, 65% of those with incomes less than 50% of Area Median Income ("AMI") had a housing cost burden of 30% of income or greater in 2000. Forty percent of households earning from 50% to 80% of AMI and 25% for households earning from 80% to 95% of AMI had a housing cost burden.

While not available by census tract, the 2007 American Community Survey data for PUMAs (geographic areas of approximately 100,000) can be used to give a general sense of the housing cost burdens for households at 50%, 80% and 120% of AMI more recently. The data shows that the number of households experiencing housing costs burdens rose significantly since 2000 as housing rates and rental rates rose rapidly. For

the PUMAs that include the target area, high housing costs were a problem for 76% of those earning less than 50% AMI (up from 65% in 2000) , 48% for those earning from 50% to 80% of AMI (up from 40% in 2000), and 27% for those earning from 80% to 120% of AMI.

<b>Table 5: Housing Cost Burden &gt;30% of Income, PUMAs* Including the Target Geography, 2007</b>					
<b>Percent of Households with Housing Cost Burden</b>					
<i>Municipalities</i>	<i>PUMA</i>	<i>Less than 50% AMI</i>	<i>50 to 80% AMI</i>	<i>80 to 120% AMI</i>	<i>LMM Burdened as Percent of Total Households</i>
Boston (part)	3302	64%	60%	32%	34%
Boston (part)	3303	78%	54%	44%	61%
Boston (part)	3304	82%	59%	39%	46%
Boston (part)	3305	77%	54%	31%	40%
Brockton	4000	78%	58%	35%	41%
Chelsea, Revere	2900	83%	37%	31%	45%
Fall River	4400	64%	39%	21%	37%
Fitchburg	300	79%	39%	22%	36%
Holyoke	1700	76%	44%	15%	39%
Lawrence	700	82%	59%	37%	47%
Lowell	600	69%	55%	23%	42%
Lynn	1200	78%	55%	20%	46%
New Bedford	4500	79%	43%	31%	39%
Springfield	1900	72%	41%	15%	42%
Taunton	4200	76%	30%	23%	28%
Worcester	2300	76%	50%	25%	41%
<b>Total</b>		<b>76%</b>	<b>48%</b>	<b>27%</b>	<b>41%</b>

*\*Source: Analysis of US Census Bureau 2007 ACS PUMS data. A PUMA is a geographic area of approx. 100,000 persons.*

This is similar to the percentages statewide, but because the target area has a higher proportion of low-income households, the problem is more acute in the target area. The target area contains 5.5% of Massachusetts households, but 8.1% of Massachusetts households earning less than 95% of AMI and having a housing cost burden.

According to the 2000 Census, the target census tracts are poorer, with a poverty rate of 22.8%, compared to 9% for Massachusetts. Of the target census tracts, 68% (97) have poverty rates more than double that of Massachusetts, with a high of 62% in Springfield's tract 800600.

Median 2000 income averaged \$29,694 for the target tracts, as compared to \$50,502 statewide.

#### **(4) Relevant social, governmental, educational and economic factors contributing to local market conditions and neighborhood decline/instability**

In January, 2009, the Kirwan Institute at the Ohio State University released a report that applied its “Communities of Opportunity” concept to Massachusetts. The Kirwan Institute has created an “Index of Opportunity” that relies on a GIS analysis of indicators related to educational opportunity, economic opportunity, and neighborhood/housing quality. While many of these indicators are available at different geographic levels (tract, zip code, police district, or town), GIS allows for overlaying these factors and determining a score for each census tract.

Eighty-three percent (118) of the target tracts scored “Very Low Opportunity” on this index, while 15 percent (22) scored “Low Opportunity”. Only one percent, comprised of two tracts, both in the City of Taunton, scored “Moderate Opportunity”. This result is indicative of the fact that the target geography includes Massachusetts’ most distressed neighborhoods, by measures of not only foreclosures, but also educational opportunity, economic opportunity and neighborhood/housing quality.

Another measure of neighborhood dynamics is the REO Stabilization Opportunity Score, created at the zip code level by Kai-Yan Lee of the Federal Reserve Bank of Boston, to guide policy and program decisions about which neighborhoods have the greatest need. This score is based upon REO availability, 90-day delinquencies, REO time on the market, and home price declines. The average REO stabilization score for the targeted census tracts is 0.919 with a score of 1.000 representing the most distressed areas. Seventy-nine percent of the target census tracts have a score of 0.9 or higher, including seven census tracts in Boston’s 02121 zip code, which was calculated to be the most distressed in the state.

As further illustrated in Table 6 below, the target tracts in the 14 communities identified in this application have a homeownership rate nearly inverse of that of the Commonwealth. While the state average for homeownership in 2000 was 61.7%, it was only 37% in the target geographies. With the exception of Fall River and Taunton, the target geographies also have a higher percentage of persons of color than the state average. And, as noted above, on average, these communities have more than twice the percentage of people living in poverty that in the state as a whole.

The target geographies have a lower rate of educational achievement – 12% as compared to the statewide average of 33% - and a higher percentage of immigrant populations – 21% as compared to the statewide average of 12%.

<b>Table 6: Socio-Economic Indicators for Target Census Tracts, by City and Total, 2000</b>						
<i>Municipality</i>	<i>Percent of Residents 16 and Over with a BA or Higher</i>	<i>Unemployment Rate</i>	<i>Poverty Rate</i>	<i>Percent Foreign Born</i>	<i>Percent Persons of Color</i>	<i>Percent Home-owners</i>
Boston	12.5%	7.2%	23.0%	30.8%	90.6%	33.2%
Brockton	12.3%	7.5%	16.0%	21.0%	41.0%	49.7%
Chelsea	6.7%	7.1%	25.0%	40.0%	65.3%	26.9%
Fall River	7.5%	7.9%	19.0%	22.7%	9.2%	26.9%
Fitchburg	13.4%	9.6%	22.0%	8.3%	25.4%	37.4%
Holyoke	14.7%	5.8%	26.0%	5.1%	33.6%	38.1%
Lawrence	9.3%	8.2%	23.0%	31.8%	63.0%	31.1%
Lowell	9.0%	8.5%	27.0%	29.1%	49.3%	29.4%
Lynn	11.5%	7.4%	18.0%	26.6%	42.1%	44.2%
New Bedford	9.3%	11.9%	28.0%	17.9%	33.6%	33.1%
Revere	11.3%	6.8%	19.0%	26.5%	25.3%	47.8%
Springfield	12.7%	9.7%	28.0%	8.4%	52.2%	41.7%
Taunton	12.2%	5.4%	13.0%	11.8%	11.2%	45.8%
Worcester	16.1%	8.4%	25.0%	17.0%	35.2%	31.6%
Target Area	11.9%	8.7%	22.8%	20.9%	50.3%	37.0%
Massachusetts	33.2%	4.6%	9.0%	12.2%	16.1%	61.7%

*Source: 2000 Census*

**(5) NSP2 activity categories are most likely to stabilize target geography.**

The relatively low vacancy rates in the target area indicate a strong demand for housing. Despite weak market conditions, the strong demand for housing is driven by wider macroeconomic conditions. The annual *Greater Boston Housing Report Card* (the Dukakis Center at Northeastern University) and the 2008 *State of the Massachusetts Housing Market* (the Donahue Institute at the University of Massachusetts) have identified an ongoing deficit in affordable housing, exacerbated by high development costs, zoning restrictions and NIMBYism as problems in most of Massachusetts. This problem is revealed in the target area by the high degree to which residents face a housing cost burden. As noted in Section 1.3.b., seventy-six percent of families in Massachusetts earning less than 50% of Area Median Income have a housing cost burden.

Given the difficulties of new construction, the need for additional affordable housing, and the State's new "smart growth" policies that would invigorate urban neighborhoods, it is the goal of the MHIC Consortium to preserve existing REO housing and restore confidence to neighborhood markets through two primary NSP2 activities: (A) the establishment of financing mechanisms for purchase and redevelopment of foreclosed homes and residential properties; and (B) the purchase and rehabilitation of homes and residential properties that have been abandoned or foreclosed upon.

As further described in Section 3 below, activities include: financing for the purchase and rehabilitation of properties that would be owned by private- and non-profits owners for affordable rental housing; and, homebuyer assistance that ranges from a shallow

subsidy in the form of a soft second loan to deeper assistance for rehab assistance. Homebuyer assistance, counseling and fair mortgage products are particularly needed in the target geographies given the low rates of homeownership and the past targeting of these communities by subprime lenders.

## **2. Demonstrated Capacity of Applicant and Relevant Organizational Staff**

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### **a. Past Experience of Applicant (30 points)**

The proposed program will be implemented by a consortium of three of the state's primary housing entities including the Commonwealth's Department of Housing and Community Development ("DHCD"). These entities are well established with substantial experience implementing affordable housing programs. The Massachusetts Housing Investment Corporation ("MHIC") is the lead agency and administrator of the Neighborhood Stabilization Loan Fund. As lead agency, MHIC will be responsible for the internal audit function to ensure effective use of the NSP2 funds and ensure compliance with all NSP2 requirements. The Massachusetts Housing Partnership Fund ("MHP"), an instrumentality of the Commonwealth of Massachusetts, is the administrator of the homebuyer assistance component of the program. DHCD and MHP, as state consortium members, will assume responsibility for required environmental reviews.

The lead agency, MHIC, is a non-profit 501(c)(3) organization established in 1990 to attract private capital to provide affordable housing and community development to low-income communities in Massachusetts. From the outset, MHIC has had lending programs for acquisition and construction of affordable housing. Since the early 1990's, MHIC has raised capital to finance LIHTC investments resulting in \$530 million in project investments, and has been awarded \$364 million in New Markets Tax Credit allocations that resulted in the financing of 32 projects with investments totaling \$257 million. MHIC has provided \$446 million in construction financing to rehabilitate and build 9,203 units of affordable and mixed-income housing. Between 1991 and 2008, more than \$325 million, or approximately 26%, of MHIC's \$1.23 billion of total lending and equity investments have been to projects located in the target census tracts.

Over the last two year (between May 4, 2007 and May 3, 2009), MHIC completed the construction of 22 rehabilitation projects, including 17 residential projects with 1,098 units and 5 commercial projects with 297,000 square feet, representing \$112 million in MHIC debt and equity financing; \$34 million, or 31%, of those investments have been directed to projects located in the target census tracts.

MHIC's core mission is to work with, and in support of, its community-based partners in low-income communities to design financial products and services that best meet the needs of the low-income community and its residents. MHIC works with these community-based partners in ongoing dialogue with the low-income residents of communities to determine: (a) the best overall strategy to revitalize and stabilize the community; (b) the unmet needs of community residents; (c) the particular obstacles or

barriers to meeting those needs; (d) the best use of particular sites or other development opportunities; and (e) reactions to specific development plans.

MHIC employs a wide set of skills and resources to ensure the success of its community development investing and lending.

First, and foremost, is MHIC's ability to access and deliver private capital to meet critical community needs. MHIC has provided significant development investment because of the active participation of 28 member corporations that have collectively committed \$738 million in program investment in three areas. The loan program has 16 investors with a commitment of \$31 million. The housing tax credit program has obtained \$572 million from 18 organizations. The New Markets program has attracted investments from 11 investors totaling \$113 million. The Neighborhood Stabilization Loan Fund has already obtained \$22 million in capital, which will be expanded to \$35 million if this NSP2 application is funded. The key responsibility for raising capital lies with Joseph L. Flatley, President and CEO of MHIC. Mr. Flatley, who has held this position with MHIC since its inception in 1990, is responsible for overseeing the development and implementation of MHIC's overall business strategy in support of its mission, including raising investment capital to support its several areas of lending and investment activity. Mr. Flatley has been assisted in raising capital by Guillaem Aertsen, chairman of MHIC's Board of Directors. Mr. Aertsen's years of experience and leadership at a money center bank in commercial real estate and capital markets and his strong support for community development and affordable housing investment by commercial banks has helped to create the ongoing commitment of the region's banks for MHIC's financing programs.

One of MHIC's strengths is a very deep pool of experienced and talented underwriters. MHIC has four full-time underwriters, and two senior managers (Director of Credit and Director of Development) who also underwrite projects during periods of high loan and investment activity. This provides MHIC with tremendous flexibility to manage the workload of deploying capital to its core programs. This level of staffing can support volume of \$120-180 million per year across all of its programs. Peak-time capacity is even higher due to the availability of the two senior managers. The key staff person involved with the NSLF is Bruce Ehrlich, Investment Officer, who has primary responsibility for managing the program, including managing relationships with developers and local officials, underwriting loans and determining the minimum necessary NSP subsidy amount for each project, coordinating the activities of other staff and third party specialists, and ensuring compliance with HUD requirements. Mr. Ehrlich has been employed by MHIC since 2005, has managed MHIC's NSP program since its inception in 2008, and has 13 years of prior experience managing HUD programs at the municipal level with the City of Boston, specifically the CDBG, HOME, HOPWA, and McKinney programs.

Andrea Daskalakis, Chief Investment Officer, provides additional expertise in the areas of policy development and loan underwriting. Ms. Daskalakis has over 25 years of experience in banking and community development finance. MHIC's underwriting is reinforced by its strong NSLF Committee, which is Co-chaired by Elizabeth Gruber, Senior Vice President with Bank of America, who brings over 20 years of private

banking and community investment experience to this key role, and Geeta Pradhan, Director of Housing, Civic and Community Development Programs with The Boston Foundation.

MHIC's underwriting staff have extensive experience with financing housing rehabilitation and redevelopment of vacant property. A significant portion of MHIC's residential financing portfolio of over 9,000 units consisted of the acquisition and rehabilitation of distressed and aged rental housing and the construction of new housing and community facilities on vacant land in distressed communities, including tax-foreclosed properties. In his previous position with the City of Boston, Mr. Ehrlich also managed the disposition and development of numerous vacant parcels obtained by the City of Boston through tax foreclosure and urban renewal programs.

Underwriters remain involved with properties through the construction period to help ensure properties are completed on budget and on time. This is particularly important for rehabilitation of distressed properties, which involve greater uncertainty and risk than new construction. MHIC's Construction Liaison Officer, Carolyn Anderson, will work with the Investment Officer and third party construction inspectors to ensure adequate oversight of rehabilitation activities.

Finally, MHIC's Asset Management staff work closely with rental property owners to meet occupancy targets and compliance with income eligibility requirements. This involves review of marketing and fair marketing plans, as well as frequent communication with property managers during the lease-up process.

MHIC's investment and lending activity operates within the context of strong and lasting partnerships with state and local governments and committed community partners. MHIC relies on these partners to ensure that its investments support city and regional development plans. For example, DHCD, working with mayors, city managers, and legislators, is spearheading the Gateway Cities Project, which seeks to support economic redevelopment in the state's historic mill cities, which have substantial urban infrastructure but have not fully shared in the shift to a knowledge-based economy. Nine of the 11 cities participating in the Gateway Cities Compact for Economic and Community Change are included in this NSP2 application.

MHIC's city and community partners also set priorities at the neighborhood level, through the creation of plans such as the Elm Street Stabilization Strategy in Fitchburg, the Partnership for the Renewal of Old Hill in Springfield, the Shurtleff-Bellingham Neighborhood Enhancement Strategy in Chelsea, or the Neighborhood Revitalization Strategy Area program of the City of Worcester. Although the local governments are not officially members of this consortium application, MHIC has coordinated the selection of target geographies and strategies with community development officials in all fourteen cities.

MHIC's close collaboration with these other organizations is both practical and strategic. They have served to: (a) validate the value and importance of MHIC's mission; (b) leverage and package the resources needed to ensure projects' long-term success; and (c)



provide a context for managing risk and the inevitable challenges to be faced by community development projects.

MHIC's capacity to implement the program is evidenced by its prior experience financing neighborhood stabilization, affordable housing and community development in the target communities, as illustrated below.

Its Neighborhood Stabilization Loan Fund (NSLF) was established in 2008 to address foreclosure problems in distressed urban areas located throughout the Commonwealth of Massachusetts. It is managed in partnership with MHP and DHCD - the other members of the MHIC Consortium.

NSLF is currently working with 17 non-profit and for-profit developers who have begun acquiring and rehabilitating properties in targeted neighborhoods located in the cities of Boston, Worcester, Springfield, Lawrence, Lowell, Chelsea and New Bedford. NSLF has approved lending lines for these 17 developers, who will work within the context of neighborhood stabilization plans that have been developed by local non-profits and community development officials. Collectively, these plans envision the acquisition and rehab of over 300 units in the first 12-18 months.

NSLF is also funding receivership revolving loan funds in Worcester and Springfield. These funds, totaling \$1.2 million and managed by local non-profits, will support stabilization efforts in the above communities by providing small rehabilitation loans to court-appointed receivers of occupied distressed properties, most of which have been abandoned by their private owners or are neglected by the lenders which have now own them.

To date, MHIC has approved approximately \$30 million in construction lending lines, and borrowers have acquired five properties using NSLF funds and another eleven properties using their own capital in anticipation of NSLF funding. With the recent release of NSP1 funds to grant recipients, we expect program activity to ramp up over the next several months.

Examples of properties that have received early NSLF funds are:

412 Talbot Avenue in Boston was a foreclosed, bank owned property acquired by Codman Square Neighborhood Development Corporation with a \$255,000 acquisition loan from MHIC. Construction financing will be provided by the Neighborhood Stabilization Loan Fund. This property contains 4 rental units, 3 of them occupied.

Marlboro and Essex Streets, Chelsea -- MHIC has approved loans and subsidies for two properties that have been acquired by Chelsea Neighborhood Developers, including \$440,000 in construction financing and \$226,000 in NSP1 subsidy for the development of 98 Marlboro Street, a three-family property located in Chelsea, and \$525,000 in construction financing and \$260,000 in DHCD housing subsidies for the rehabilitation of 75 Essex Street, a three-family property.

21 Dacia Street, Boston is a vacant recently foreclosed three-decker home being developed by Nuestra Community Development Corporation. MHIC provided Nuestra

CDC with a line of credit that was used to acquire the property, and DHCD has committed \$180,000 in state housing subsidies to complete the rehabilitation and ensure the property is affordable.

230 Quincy Street, Boston is being developed by Dorchester Bay EDC in partnership with Jonathan Kaye. MHIC provided a \$177,000 acquisition loan, and DHCD has provided an \$180,000 rehabilitation subsidy, to Dorchester Bay EDC.

Clarkson Road, Boston -- Developer Jonathan Kaye also collaborated with Dorchester Bay Economic Development Corporation to acquire 64 Clarkson Road, a formerly vacant foreclosed property. MHIC provided a \$170,000 acquisition loan, and DHCD has provided an \$180,000 rehabilitation subsidy, to Dorchester Bay EDC.

The tangible impact of MHIC's sustained community investment activity can be seen in other low-income communities across the Commonwealth, including many of the same communities where MHIC will target NSP2 funds. This includes major investments in cities such as Boston, Lawrence, Springfield, Fitchburg, Chelsea, Lowell, and New Bedford. Examples follow.

Hollywood and Federal Street Neighborhoods, Springfield - MHIC provided \$13,536,000 in acquisition financing to First Resources Companies to help preserve 377 units of affordable housing and to leverage investments which now total more than \$68 million in Springfield. This portfolio includes: City View Commons I, four buildings on the Worthington/Federal Street area of Springfield with 153 housing units; City View Commons II, a group of five buildings totaling 120 units; and Concord Heights, a group of seven buildings containing 104 units located in the Hollywood section of Springfield.

Dudley Square Neighborhood, Boston -- Another neighborhood being rebuilt is the Dudley Street area of Roxbury, one of the priority target neighborhoods for the Neighborhood Stabilization Loan Fund. MHIC has financed 19 projects -- both housing and commercial developments in this particular section of Boston over the past 16 years, investing and lending a total of \$105 million and creating or preserving over 650 units of affordable rental and homeownership housing. Notable projects that MHIC has financed in this neighborhood include: the historic renovation of Hibernian Hall into a performance and cultural center and retail/office complex; construction of a new headquarters for Project Hope, one of Boston's most successful agencies dedicated to reducing poverty; Dudley Village a new mixed-use development that includes 24 affordable housing units and 4,800 square feet of retail space; Dudley Terrace, a scattered-site 56 unit rental project; and the Brook Avenue Cooperative, a 36-unit new construction cooperative housing project built in 1999.

Downtown and North Lawrence -- MHIC has been active, as well, for an extended period in Lawrence, including: a \$3 million in loans and equity to support the rehabilitation of seventy-three existing SRO units; a \$2.8 million LIHTC investment Lazarus House, a new 3-story building constructed on vacant tax-foreclosed land providing 20 housing units for very low-income families; and \$5.5 million in New Markets Tax Credit and federal historic tax credit financing for Nuestra Casa -- Our House, a state-of-the-art community facility constructed by Lawrence CommunityWorks.

Chestnut Square and Historic District, Lowell -- In Lowell, MHIC has provided \$3.5 million in New Markets financing for the rehabilitation and adaptive reuse of the vacant historic Davis and Sargent mill building in the Lowell Historic district to create a new home for Nobis Engineering, Inc., a Concord New Hampshire-based company. MHIC also financed the Chestnut Square project, developed by the Caleb Foundation, 41 units of rehabilitation and new construction located in the Chestnut Square neighborhood of Lowell, an area that used to house mill workers and had fallen into disrepair.

Box District, Chelsea -- In the city of Chelsea, Chelsea Neighborhood Developers (CND) has built a new home at 4 Gerrish Avenue with the assistance of \$3.4 million in New Markets Tax Credit financing from MHIC. The project involved the acquisition and remodeling of a partially vacant property that is serving as CND's new headquarters and a "gateway" to the district. CND has been approved as a participant in MHIC's NSLF program.

Downtown Fitchburg - MHIC initial investment in the City of Fitchburg involved the rehabilitation of a vacant 7 story historic office building at 470 Main Street. The vacant property, formerly occupied by a bank, was renovated to create mixed use development including 31 housing units on the upper floors, a new ground floor commercial space.. MHIC financed the project using \$11.8 million in New Markets Tax Credit financing and federal historic tax credits, as well as a bridge loan against the sale of state historic tax credits.

Weld Square and Downtown New Bedford - In New Bedford, MHIC has a number of projects involving rehabilitation in very distressed neighborhoods, including Austin Court, six buildings located in Upper Weld Square. Wamsutta Apartments, a 2000 LIHTC investment involved rehabilitation of a large apartment complex in 14 buildings. The Coffin & Lawton project was one of MHIC's earliest investments under the New Markets Tax Credit program. This complicated two-part \$13 million project has significantly changed the face of Downtown New Bedford. Partnering with WHALE & Sovereign Bank, HallKeen boldly restored five abandoned and underused buildings. The Union Street Lofts consist of 35 residential rental units and 16 new and/or improved street-level retail stores. The rehabilitation of the 1914 Art Nouveau structure, known as *The Bristol Building*, was completed in 2008. The extensive rehabilitation of this 20,000 square foot building created 13 units of housing on the second story and enhanced commercial space on the ground floor. Finally, Acushnet Commons involves the preservation of a historic building and the development of 12 units of affordable family rental housing.

More information about MHIC is available at <http://www.mhic.com>.

The second member of the MHIC Consortium, MHP, is an instrumentality of the Commonwealth of Massachusetts. Established in 1990 by the state legislature, MHP is overseen by a 7-member Board of Directors appointed by Governor Deval Patrick. The Directors of MHP reflect MHP's focus on public-private partnerships. The Chairman of MHP, Stanley Lukowski, is the Chairman Emeritus of Eastern Bank Corporation and the former CEO of Eastern Bank, the largest Massachusetts-chartered commercial bank. MHP Secretary/Treasurer Christopher Oddleifson, is the CEO of Rockland Trust

Company, the second largest Massachusetts-chartered commercial bank; Mr. Oddleifson is also the Chairman of the Massachusetts Bankers Association. Other Directors of MHP include Governor Patrick's Undersecretary for Housing, Tina Brooks, and the Director of the Joint Center for Housing Studies at Harvard University and former HUD Assistant Secretary for Housing – Federal Housing Commissioner, Nicolas Retsinas, among others.

MHP's mission is to significantly expand the supply of affordable housing throughout the Commonwealth. MHP's core values and capabilities are: (1) providing financing for affordable housing on better terms and/or with greater flexibility than available elsewhere; (2) pioneering new development and financing models that make more effective use of public resources, are responsive to local needs, and achieve more impact than conventional approaches to affordable housing; and (3) fostering civic leadership on affordable housing and breaking down local barriers to housing development through effective guidance, advocacy, research and technical support.

MHP achieves its mission through four primary activities: homeownership assistance; financing for rental properties; technical and financial assistance to local officials and organizations; and research and analysis. In September 2007, the Directors of MHP directed the MHP staff to apply MHP's core values and capabilities to the foreclosure crisis in the Commonwealth. MHP's work in these four areas and with regard to foreclosed properties is described below.

Homeownership Assistance -- Recognizing that homeowners are the cornerstone of strong neighborhoods, MHP has, since its inception, had a strong focus on responsible homeownership for low- and moderate-income families. The SoftSecond Loan Program ("SoftSecond") was developed in partnership with the state's housing agency, the Department of Housing and Community Development ("DHCD"), the Massachusetts Bankers Association, and various community organizations to address community concerns over low levels of mortgage lending to traditionally underserved borrowers and neighborhoods. Launched in Boston in 1991, the program was expanded statewide in 1992 and is now available in every city and town in the Commonwealth through 45 participating lenders with MHP as the administrator.

SoftSecond was designed to reduce the substantial down payments and large monthly mortgage bills that often present insurmountable obstacles to lower-income homebuyers. The program requires a 3% down payment and provides qualified homebuyers with two 30-year fixed-rate mortgage loans: the first for 77% of the price of the home, and the "soft second" mortgage for the remaining 20%. The second mortgage is interest-only for the first ten years and, in many cases, monthly bills are further reduced by public subsidies of these interest payments. SoftSecond loans have no points, no mortgage insurance fees and below-market interest rates. Loan loss reserves for the second mortgage loans are provided to participating lenders. All SoftSecond homebuyers must complete an approved homebuyer education course and the program provides a unique post-purchase education and delinquency counseling program.

Since 1991 almost 13,144 low- and moderate-income first-time homebuyers (average household income of \$49,000) have purchased homes in Massachusetts using SoftSecond, leveraging almost \$2 billion in private mortgage financing. The loan

performance is very strong with foreclosure and delinquency rates consistently at or below those of all prime mortgages in Massachusetts.

In 2008, MHP launched MassWorks Mortgage ([www.massworks.net](http://www.massworks.net)), an employer-assisted version of SoftSecond. Employer assistance up to \$5,000 is matched by the state and is utilized as interest subsidy or down payment assistance for low- and moderate-income employees buying their first home. Currently there are eight participating employers in MassWorks and the program is a key component of the “Buy Worcester Now” initiative, a homeownership effort in one of the municipalities in the MHIC Consortium target geography.

To maintain owner occupancy in distressed neighborhoods, MHP has designed an expansion of SoftSecond to incent buyers to purchase foreclosed properties that is the homebuyer component of this application. This program expands eligibility to homebuyers up to the NSP limit of 120% of area median income (“AMI”) (ordinarily SoftSecond is limited to buyers with incomes up to 100% AMI, with interest subsidy only available to buyers with incomes up to 80% AMI) and buyers do not have to be first-time buyers. In addition, down payment assistance up to \$7,500 per homebuyer and rehabilitation grants up to \$40,000 per property will be provided, with such amounts to be adjusted if it is determined that a higher level of assistance is needed. These small public expenditures are focused on owner-occupancy in conjunction with more significant investments for developer acquisitions through the Neighborhood Stabilization Loan Fund (“NSLF”). MHP’s prior experience with SoftSecond and its strong network of private bank lenders, counseling agencies and municipal and community partners provide a significant platform from which to launch the NSP expansion of the program.

Rental Financing – Recognizing that not all low- and moderate-income families can or should become homeowners has led MHP to have an equally strong focus on affordable rental housing. A unique state law requires bank holding companies acquiring banks in Massachusetts to make below-market lines of credit available to MHP as a condition of state approval. MHP has, since 1993, used these funds to provide almost \$650 million in financing to support 15,800 rental units in the Commonwealth. Bank lines of credit to MHP totaling over \$1.1 billion have been utilized largely for long-term fixed-rate financing for rental properties. MHP has focused on long-term permanent financing for rental properties, with a special focus on smaller properties under 20 units, as short-term construction financing and financing for large properties is generally more readily available.

MHP has provided more permanent financing for affordable properties developed with tax credits than any other lender in Massachusetts. In conjunction with MHIC, MHP developed the “OneSource” program which provides MHP permanent financing in concert with a loan from a construction lender, using one set of documents and one attorney. MHP has closed dozens of OneSource loans with a variety of construction lenders in addition to MHIC, including large institutional lenders such as Bank of America. In addition to providing long-term loans directly, MHP has utilized its bank lines of credit as credit enhancement for tax-exempt bond issues. MHP was recently approved as a seller/servicer by Fannie Mae for a \$100 million Affordable Flow Facility.

MHP services its own loans with a dedicated portfolio management staff. MHP's rental portfolio has a stellar record with no loan losses to date.

MHP's bank-financed loan fund is providing significant capital to the NSLF. MHP helped conceive the NSLF, and is providing capital to the NSLF both directly and through a longstanding line of credit to MHIC. In this way, working together, MHP and MHIC are able to commit \$30 million in private capital to the NSLF. In addition, MHP is underwriting and committing long-term financing for many of the NSLF projects, as most expect a rental outcome. This focus on an "exit strategy" is in keeping with MHP's approach to financing, which values sound underwriting equally to the accomplishment of an important community mission.

Community Initiatives – What sets MHP apart from many housing finance organizations is its focus on and support for local organizations, those "on the ground". MHP's Community Housing Initiative group is both reactive, responding to information requests from local officials and organizations, and proactive, sharing information to encourage local groups on new ways to increase the supply of affordable housing in their communities. MHP's community initiatives include: (1) assistance in developing public land into affordable housing, with such housing typically on a smaller scale that fits a community's character; (2) sustained, in-depth assistance to communities for particular development projects, typically involving family rental housing; (3) capacity building for community development corporations and non-profit housing developers; and (4) assistance for municipalities facing applications to permit housing developments using the Commonwealth's "anti-snob" zoning law. MHP has a long history of promoting "bottom up" solutions and making the larger system respond to local concerns.

As the foreclosure crisis unfolded in Massachusetts, MHP's Community Housing Initiatives group saw that several municipalities were using a long-standing but underutilized code enforcement tool to stabilize troubled properties, receivership. The cities of Springfield and Worcester, in particular, and both part of the target geography in this application, had found that seeking a court-appointed receiver for properties abandoned by their owners to be an effective strategy to prevent properties from becoming vacant and condemned. MHP has provided financial and technical support to increase the capacity of these municipalities to use receivership, bringing in local non-profits as program administrators and facilitating loans to receivers through the NSLF. In addition, MHP, in conjunction with the Massachusetts Attorney General's Office, has conducted trainings around the state so that other municipalities can learn how to take advantage of this powerful tool. The results of this effort have been remarkable with over 80 units in receivership in Worcester and 45 communities participating in the trainings.

Research and Analysis – At the heart of MHP is vision and its quest to find new solutions to address the need for affordable housing. MHP was created by the legislature to challenge the usual ways of doing business and on the premise that government alone is not the solution. To that end, in addition to demonstrating how private investment can be used effectively and through innovations such as SoftSecond, MHP has authored and commissioned studies aimed at analyzing the current housing situation and presenting new solutions, with a particular focus on the impact of "smarter" zoning policies on land supply and housing prices. When the foreclosure crisis hit, although much data and many

reports were being circulated, MHP saw the need for consistent analysis of where the “hot spots” are and published the first GIS maps of foreclosure activity in the Commonwealth. Since the fall of 2008, MHP has issued the Massachusetts Foreclosure Monitor, which reports quarterly on foreclosure trends in Massachusetts.

More information about MHP is available at <http://www.mhp.net>.

The third member of the MHIC Consortium is the Massachusetts Department of Housing and Community Development (“DHCD”), an under-secretariat within the Executive Office of Housing and Economic Development under the leadership of Governor Deval Patrick’s housing policy chief, Tina Brooks. DHCD has a mission to strengthen cities, towns and neighborhoods in order to enhance the quality of life of Massachusetts residents. The agency provides leadership, professional assistance and financial resources to promote safe, decent affordable housing opportunities, the economic vitality of communities and sound municipal management. DHCD accomplishes its mission through forging partnerships with regional and local governments, public agencies, community-based organizations, educational and philanthropic institutions, and the business community. Much of its work is accomplished through the funding and oversight of grant and loan programs. It has an annual budget of \$139.3 million in direct state appropriations, oversight of \$431.3 million in federal grants, and 210 employees. Responsible stewardship of public funds is a principle and practice that is embedded in every division of the agency. Further, in all of its efforts, DHCD recognizes and respects the diverse needs, circumstances, and characteristics of individuals and communities.

DHCD administers the state’s allocation of Community Development Block Grant (CDBG) funding to the 315 non-entitlement communities. Through its annual funding competition, DHCD awards funds directly to cities and towns to accomplish CDBG activities

DHCD has substantial experience in city and regional planning. Its Community Assistance Unit (CAU) was created in 2007 by Governor Deval Patrick, in order to renew and strengthen the administration’s partnership with municipalities. It provides a wide range of technical assistance and training to communities in the areas of municipal governance, planning, land use and zoning, and community development. Through the work of the CAU, the Commonwealth of Massachusetts is working toward an increase in its affordable housing stock, the adoption of Smart Growth initiatives by communities across the state, and the revitalization of downtowns and city/town centers. In FY08 alone, 48 communities increased their affordable housing stock, as measured by the state’s Subsidized Housing Inventory, and five adopted “Smart Growth” Districts.

Another such initiative is “Gateway Plus Action Grants” announced in 2008. Eighteen “gateway cities,” that is, older, formerly manufacturing or mill cities with aging housing stock and distressed infrastructures, were awarded \$75,000 each to engage in a six-month community-based planning project focused on a neighborhood facing particular challenges. Nine of the 18 are target communities in the MHIC Consortium application. The grants emphasize community engagement, and the enlistment of partners -- institutional, for-profit and non-profit.

DHCD's experience in the acquisition and disposition of foreclosed real estate includes: down payment assistance/acquisition assistance programs; the Chapter 206 First Time Homebuyer Counseling program and the Neighborhood Stabilization Loan Fund. In the 24 month period between May 4, 2007 and May 3, 2009, working through 12 sponsoring entities, DHCD helped 146 clients purchase a home through the HOME American Dream Down-payment Initiative (ADDI). In more than 30% of the cases, its HOME ADDI program has reached households below 60% of area median income; all were below 80% area median income. By reviewing loan product information, DHCD is able to ensure that households participating in the program received competitive conforming, fixed-rate loans. Participants in the program must also receive first-time homebuyer counseling, pre- and post-purchase.

In November, 2007, the Massachusetts legislature passed Chapter 206 of the Acts of 2007, "An Act Protecting and Preserving Homeownership," part of Governor Patrick's Five-Point Plan to address the foreclosure crisis. The law provided \$2,000,000 in funding for foreclosure prevention activities, including counseling for first-time home buyers. In addition to providing grants to individual agencies, there were eleven Regional Foreclosure Education Centers established, serving every section of the Commonwealth. In 2008, under DHCD's administration, Chap. 206 grants enabled 390 clients to receive first time homebuyer counseling. Because of this program, the Commonwealth has a network of organizations in the target area that can provide counseling to prospective buyers of foreclosed properties.

In 2008, the Patrick Administration announced the formation of the Neighborhood Stabilization Loan Fund (NSLF), in response to the foreclosure crisis. With \$22 million in capital, the NSLF provides financing to community-based developers to acquire foreclosed or abandoned properties and, using a rehabilitation subsidy from DHCD's NSP1 allocation, transform them again into affordable homes. The focus of the NSLF activity is in the older cities, where these foreclosed upon and abandoned properties frequently become magnets for criminal activity, targets for arsonists, and a general blight on the neighborhood, bringing down property values of the neighboring houses.

DHCD's experience in the rehabilitation of housing includes the restoration and rehabilitation of its own stock of 50,000 public housing units and the administration of Community Development Block Grants for rehabilitation. With technical assistance from a staff of 30 engineers and construction advisors, over 6,000 public housing units were restored in FY08 (7/1/07-6/30/08). Many of these required significant rehabilitation, but even in those that needed only to be brought back into compliance with the state's Sanitary Code, DHCD personnel provided advice and oversight at every stage of the projects. Saving water and energy is a priority in rehabilitation efforts.

Overall in FY 2007, DHCD awarded 29 grants to non-entitlement communities for housing rehabilitation activities. More than 300 units have been rehabilitated or have rehabilitation activities currently underway. In FY 2008, 23 similar grants were awarded affecting more than 250 additional housing units. Typically, 40% of DHCD's annual



CDBG awards (in excess of \$11.0 million) are made to communities for housing rehabilitation activities. The Department exercises direct oversight of these grantees as they implement these activities.

DHCD has significant experience in the oversight of program marketing and management of waiting lists for potential residents. Within the CDBG activities cited above, each of the communities manages the program marketing and waiting lists of eligible residents, subject to DHCD oversight. In addition, in the case of CDBG-funded new construction of units, DHCD has recently issued guidance regarding the affirmative fair marketing requirements for CDBG grantees and requires DHCD approval of such a marketing plan prior to homebuyer selection at the local level. DHCD is also Massachusetts' administering agency for the federal Section 8 housing voucher program. In that capacity, the agency oversees the management of waiting lists, which is done by eight regional agencies. There are approximately 72,000 applicants on the list; the wait time is, at minimum, 3-7 years. The Division of Public Housing and Rental Assistance purges the waiting list every two years to cull out incorrect addresses, and works with its Division of Housing Stabilization to ensure that applicants who have entered the homeless system remain on their waiting list.

More information about DHCD is available at <http://www.mass.gov/?pageID=eheadagencylanding&L=4&L0=Home&L1=Economic+Analysis&L2=Executive+Office+of+Housing+and+Economic+Development&L3=Department+of+Housing+and+Community+Development&sid=Ehed>

## **b. Management Structure** (10 points)

### **(1-A) MHIC's Management Structure**

MHIC's management structure is capable of providing effective and efficient implementation of NSP2 activities. It has four principal divisions: Development, Credit, Finance, and Asset Management, each of which brings significant areas of expertise to the program. Central responsibility for implementation of the NSLF program rests with Joseph L. Flatley, President and CEO of MHIC. Mr. Flatley, who has held this position with MHIC since its inception in 1990, is responsible for overseeing the development and implementation of MHIC's overall business strategy in support of its mission: to deliver capital and services to historically underserved low income communities through its various lines of business and operations: real estate and community development lending, Low Income Housing Tax Credit investment, New Markets Tax Credit investment, Neighborhood Stabilization, asset and risk management, regulatory compliance and financial control.

Development staff, headed by Paul Chan, Director of Development, will be responsible for the day-to-day management of the NSLF program. Bruce Ehrlich, Investment Officer, has primary responsibility for managing the program, including managing relationships with developers, underwriting loans and grants, coordinating the activities of other staff and third party specialists, and ensuring compliance with HUD

requirements. Mr. Ehrlich has been managing MHIC's NSP1 program since its inception in 2008, and has 13 years of prior experience managing HUD programs at the municipal level with the City of Boston, specifically the CDBG, HOME, HOPWA, and McKinney programs. Andrea Daskalakis, Chief Investment Officer, provides additional expertise in the areas of policy development and loan underwriting. Ms. Daskalakis has over 25 years of experience in banking and community development finance.

Construction Liaison Officer, Carolyn Anderson, will work with the Investment Officer and third party construction inspectors to ensure adequate oversight of rehabilitation activities.

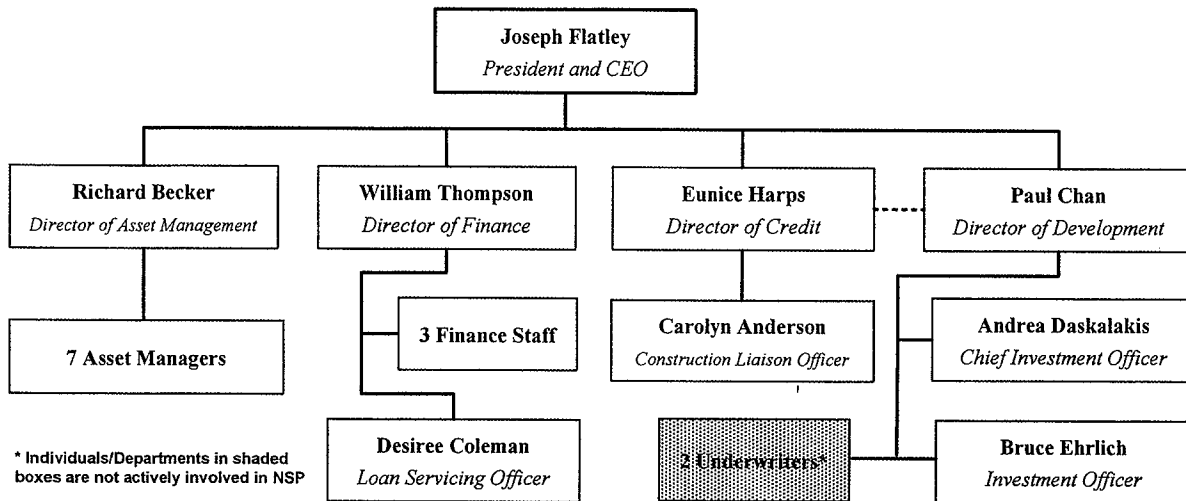
Loan servicing and overall financial management of the grant funds is managed by Finance staff, headed by Bill Thompson, Director of Finance. Desiree Coleman, Loan Servicing Officer, will be responsible for processing requests for payment and ensuring that appropriate financial records are maintained for all program expenditures. The Finance Department also maintains a database that tracks all project activity and expenditures in real time.

Asset management, headed by Richard Becker, Director of Asset Management, will be responsible for overseeing compliance with NSP income eligibility requirements, and will also provide an internal audit function for all program activities.

The above management structure assures a continuous set of checks and balances in the operation and oversight of the program. Loans and grants originated within the Development Department must obtain written approval from the President and CEO. Loan and grant payments to developers must be separately approved by both Development and Finance staff. The internal auditor, finally, is located within the Asset Management Department, which has the capacity to review programmatic, regulatory, and financial performance aspects of the NSP2 program.

The organizational structure for MHIC is shown on the chart below. (Note: Individuals and departments in shaded in boxes will not be significantly involved in NSP activities.)

## Massachusetts Housing Investment Corporation (MHIC)



### (1-B) MHP's Management Structure

MHP has a staff of 38 overseen by Executive Director, Clark L. Ziegler. Mr. Ziegler, a graduate of the Harvard Kennedy School, has been with MHP since its inception. Prior to MHP, he served as Deputy Director of Development and Public Affairs at the Massachusetts Bay Transportation Authority and as Chief of Staff for Massachusetts Congressman Robert Drinan. Mr. Ziegler serves on the board of three organizations that make loans for nonprofit affordable housing and community development: the quasi-public Community Economic Development Assistance Corporation in Massachusetts and the Housing Partnership Fund and Housing Venture Fund, which are nonprofit affiliates of the national Housing Partnership Network.

Mr. Ziegler's five direct reports constitute MHP's Executive Team and assist with overall agency direction and operations. The Executive Team members are:

- Judith S. Jacobson, Deputy Director and General Counsel -- Ms. Jacobson joined MHP in 1991 and has 30 years experience in housing and community development. Ms. Jacobson spearheaded the MassDocs combined subordinate loan program which was a finalist in the 2008 Innovations in American Government competition at the Harvard Kennedy School. She is the point person for MHP's foreclosure response, served as Co-Chair of the statewide Foreclosed Properties Task Force, and is a member of the Advisory Committee of the statewide Foreclosed Properties Clearinghouse which facilitates the disposition of REO properties.
- Mark A. Curtis, Managing Director -- Mr. Curtis joined MHP in 1991 and is the architect of MHP's rental housing loan programs. He is responsible for determining how MHP uses its bank loan funds and oversees both the lending and portfolio management departments. Mr. Curtis serves on the Loan Committee of the Neighborhood Stabilization Loan Fund. He is a graduate of the Harvard

Kennedy School and previously worked at Harvard's Joint Center for Housing Studies.

- Susan Connelly, Director of Community Housing Initiatives (CHI) – Ms. Connelly joined MHP in 2004 after 17 years in real estate development and management. She was Development Project Manager for Keen Development Corporation, Cambridge, Massachusetts and worked for 14 years at Corcoran Jennison Companies. Ms. Connelly is responsible for overseeing MHP's support of communities and community-based non-profits in their efforts to build and preserve affordable housing.
- Charleen R. Tyson, Chief Financial and Administrative Officer – Ms. Tyson joined MHP in 2004 and is an experienced finance executive in both the non-profit and public sectors. Prior to MHP she was Executive Vice President and CFO at the quasi-public economic development agency, MassDevelopment. Ms. Tyson oversees all of MHP's finance and administrative functions and supervises the SoftSecond Loan Program.
- Ruston F. Lodi, Director of Public Affairs – Mr. Lodi joined MHP's staff in 2001 and is responsible for producing and delivering housing information and reference materials via print and the web to local officials, for-profit and non-profit developers, interested citizens and the media.

Deputy Director and General Counsel Judith Jacobson will have overall responsibility for the performance of MHP's duties as a member of the MHIC Consortium. Chief Financial and Administrative officer Charleen Tyson and her staff will be responsible for financial management. MHP's CHI group, under the supervision of CHI Director Susan Connelly, will oversee Tier 2 environmental reviews.

The Homebuyer Incentive and Rehabilitation Program will be overseen by MHP's Homeownership Director, Gina Govoni, and SoftSecond Program Operations Manager, Kelly Maloy, under Ms. Tyson's supervision. Local administrator/rehabilitation agents, typically municipal community development departments with experience implementing Community Development Block Grant (CDBG) programs, will be under contract to MHP to administer the down payment and rehabilitation portions of the homebuyer program, with assistance from MHP's CHI group. Such local administrator/rehabilitation agents will perform tasks including: determining scope of work, assisting homebuyers in selecting contractors, attending to the execution and recording of all applicable homebuyer documents, and monitoring compliance with the homebuyer documents.

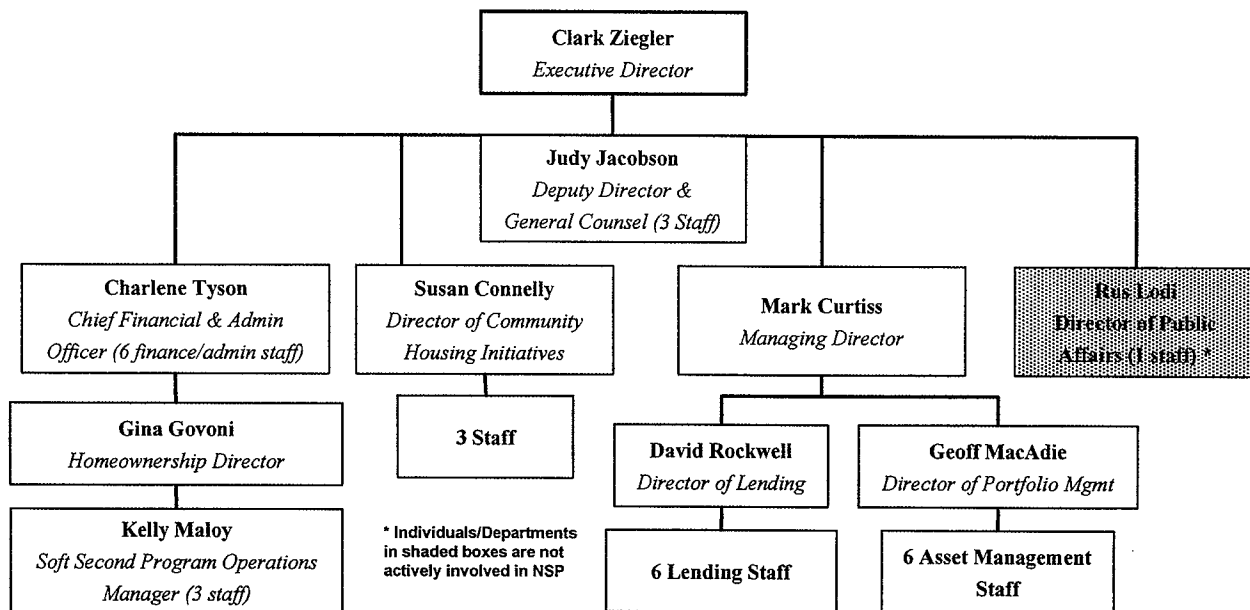
Managing Director Mark Curtiss, with assistance from Director of Lending David Rockwell, Deputy Director of Lending Dick Mason and Director of Portfolio Management Geoff MacAdie and their staff, will provide support and oversight for the NSLF. Mr. Curtiss and Mr. Mason serve on the NSLF Loan Committee. Mr. Rockwell, a lender with more than 25 years experience, oversees MHP's underwriting of NSLF revolving loan fund applicants and applicants for permanent financing. Mr. MacAdie, an experienced asset manager, will oversee all NSLF and NSP2 funded rental projects in

MHP's portfolio with oversight of property condition, financial health, and compliance with affordability and other regulatory requirements.

Director of Public Affairs Director Rus Lodi will be responsible for producing and delivering timely communications relative to the activities of the MHIC Consortium to maximize community participation and to ensure that the availability of the funding and the housing opportunities created are made known to the broadest audience possible.

The organizational structure for MHP is shown on the chart below. (Note: Individuals and departments in shaded in boxes will not be significantly involved in NSP activities.)

### Massachusetts Housing Partnership Fund (MHP)



### (1-C) DHCD Management Structure

DHCD is one agency within the Commonwealth's Executive Office of Housing and Economic Development (EOHED). The Undersecretary of DHCD has responsibility for multiple Divisions including the Division of Community Services which administers the Massachusetts Community Development Block grant (CDBG) program. The Commonwealth's Neighborhood Stabilization Program 1 (NSP1) is also currently administered by the Community Services Division. Any NSP2 award would be administered by this division, as well.

Key DHCD staff and their specific roles are defined below.

Lou Martin, Deputy Associate Director – Mr. Martin is responsible for operations of the Division of Community Services including oversight of all activities conducted by the Community Development Unit (CDU). He has extensive community development and grant administration experience including management of local and state CDBG programs.

Elizabeth Jeppson, Director, Financial and Compliance Unit – Ms. Jeppson is responsible for overall management of the Division’s financial management and compliance systems. She has extensive experience in this role at DHCD and has overseen compliance within the CDBG program since its inception at the state level. The current NSP1 financial management staff reports directly to Ms. Jeppson, as will planned, additional fiscal staff.

Mark Siegenthaler, Manager, Community Development Unit – Mr. Siegenthaler is responsible for management and oversight of DHCD’s CDBG program and NSP1 activities. He has significant experience in community development, planning and management. Existing NSP1 program staff reports directly to Mr. Siegenthaler, as will planned additional program staff.

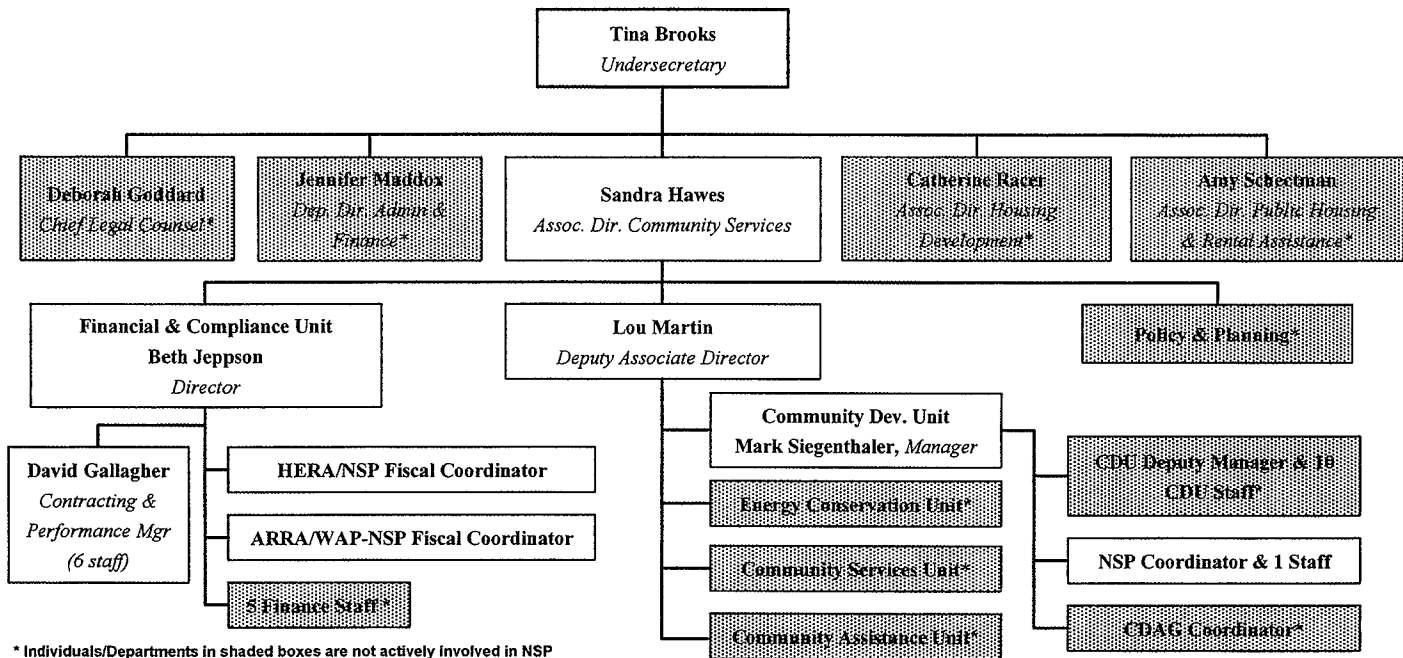
David Gallagher, Manager, Contracting and Performance Unit – Mr. Gallagher is responsible for the Division’s contracting and monitoring activities. He oversees the preparation of financial contracts, development of risk assessments and establishment of the annual monitoring schedule.

Alison Haight, NSP Coordinator – Ms. Haight currently coordinates NSP1 activities among the direct and non-profit grantees in the program. She has significant experience in grant administration and monitoring activities. It is anticipated that she will assume program coordination activities if NSP2 funds are awarded to DHCD.

Rulx Barthelus, NSP Fiscal Coordinator – Mr. Barthelus currently coordinates NSP1 fiscal activities among the direct and non-profit grantees in the program. He has significant experience in fiscal coordination and grant administration. It is anticipated that he will assume fiscal coordination responsibilities for any NSP2 funds awarded to DHCD.

The organizational structure for DHCD is shown on the chart below. (Note: Individuals and departments in shaded in boxes will not be significantly involved in NSP activities.)

## Department of Housing and Community Development (DHCD)



### (1-D) Management Structure of the MHIC Consortium

As noted above, proposed members of the MHIC Consortium have been working together in the management of the NSLF since 2008. The neighborhood stabilization program proposed for NSP2 funding is an expansion of the NSLF described in greater detail in Section 3 below. MHIC and MHP each have primary responsibility for implementing their respective program components: MHIC will independently manage the Neighborhood Stabilization Loan Fund program and MHP will independently manage the Homebuyer Incentive and Rehabilitation Program, as indicated in the above sections. MHP, which will also provide many of the permanent loans for rental housing completed under the NSLF, will also assist MHIC in monitoring income certification of tenants for housing assisted with NSP2 funds. Each organization will be responsible for administration and financial management of their program components, while overall financial management of the NSP2 funds and program oversight will be the responsibility of MHIC's Director of Finance, William Thompson. Internal audits of both the NSLF and the MHP homebuyer program will be the responsibility of MHIC's Director of Asset Management, Richard Becker.

Environmental review responsibilities will be shared between MHP and the Department of Housing and Community Development. DHCD, which has lengthy experience with the CDBG program, will provide regulatory guidance to MHIC and MHP to ensure consistency with CDBG and NSP regulations and requirements (although MHIC, as the Lead Member of the consortium, assumes full responsibility for ensuring conformance with all program requirements).

Finally, both DHCD and MHP, which have been involved with the NSLF since its inception in 2008, are represented on the NSLF Loan Committee, which sets NSLF policy and approves loans to NSLF borrowers.

## **(2) References**

Nicolas P. Retsinas, Director  
Joint Center for Housing Studies  
Harvard University  
1033 Massachusetts Avenue, 5th floor  
Cambridge, MA 02138  
Phone: 617-496-3676 Fax: 617-496-9957  
E-mail: nicolas\_retsinas@harvard.edu

John Weiser, Partner  
BWB Solutions  
250 West Main Street  
Branford, CT 06405  
Phone: 203-508-1460 Fax: 203-643-2073  
US cell: 203-314-8600 UK cell: 44-0-779-666-0898  
E-mail: JohnW@bwbsolutions.com Web: www.BWBSolutions.com

## **3. Soundness of Approach**

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### **a. Proposed activities (15 points)**

**(1) Neighborhood Stabilization Program.** The Massachusetts Housing Investment Corporation ("MHIC") is requesting \$59 million in funding from the federal Neighborhood Stabilization Program ("NSP2") to enable the reclamation of 570 foreclosed, abandoned and vacant properties in 14 distressed communities across Massachusetts. In total, these properties represent 40% of the 1,410 REOs in the target communities. It is anticipated that more than half, or approximately 320 of the properties will be small multi-family properties. In total, it is estimated that 1,200 units of affordable housing will be restored to the housing inventory through MHIC's neighborhood stabilization initiative.

The MHIC Consortium has targeted communities where the homeownership rates are lower than that State average with the intention of fostering homeownership through NSP2 activities. Increased homeownership will stabilize the target communities in a number of ways. Owner-occupied housing is associated with a less transient population more committed to protecting and advocating for its neighborhood. Owner-occupied housing typically has higher assessed value than renter-occupied housing and therefore generates more taxes on a per unit basis. While industrial and commercial properties contribute larger payments, it is the stability of the homeowner tax base that provides the foundation for sound municipal management by providing a stable tax base.



Abandoned and foreclosed properties negatively affect the health and safety of neighborhoods and diminish the value of surrounding properties. They can lead to an increase in public safety calls and illegal tenancies. They pose a dislocation threat to legal tenancies when lenders attempt to evict tenants for a foreclosure sale or because the owners are no longer maintaining the properties. They have created despair in many of the target communities that neighborhood decline and falling home values are inexorable. By returning these properties to the tax rolls and ensuring responsible ownership of them, the program will arrest neighborhood decline and stabilize communities. Owners who may have been at risk of abandoning their properties are more likely to hang on, believing that values will stabilize and rise sufficiently that they can foresee a time that they will no longer be “underwater”.

Intervention is necessary to stabilize the target communities facing rapid increases in the number of foreclosures coupled with the continued deterioration of employment conditions. The REO inventory will not be absorbed without financial and other assistance for homebuyers and developers of affordable housing. Buyers have to be convinced that it makes sense to buy and they need access to fair mortgage products which make homeownership affordable. They need fixed-rate, affordable mortgage loans, down payment assistance, and rehabilitation funding. First-time homebuyers need education, counseling and help identifying communities to invest in. The neighborhood stabilization program will provide these resources and its investments will provide a visible sign of reinvestment and send a positive signal to current and potential homeowners, developers and businesses in that community. Moreover, MHIC has a long history of ensuring that its financing and investment create training, employment and business opportunities in the communities in which it works. All NSP2 funds will be utilized in compliance with applicable federal requirements including, without limitation, Section 3 of the Housing and Urban Development Act of 1968.

The MHIC Consortium will provide the assistance not currently available in these communities because of the tightened credit market – not just the disappearance of the sub-prime lenders which had made so many bad loans in these parts, but also responsible lenders whose lending standards have become overly cautious in the current climate.

The proposed program is part of a greater effort already underway in Massachusetts to address the foreclosure crisis. Massachusetts, through its DHCD, has been a national leader in its response to the rising number of foreclosures. DHCD, along with Citizens Housing and Planning Association (“CHAPA”), have established a first-in-the-nation statewide REO Clearinghouse. The clearinghouse connects banks that own foreclosed properties with local organizations that will purchase and upgrade them for re-sale to low- and moderate-income households. It will facilitate the disposition of REO properties statewide, including the 14 communities targeted in this application.

As further described below, the Commonwealth also contributed to the establishment in 2008 of the Neighborhood Stabilization Loan Fund, which has provided funding for receivership programs in two of the target communities enabling those communities to take control of properties where owners have abandoned their responsibility to keep them in safe and sanitary condition. Receivership enables communities to work in concert with

local housing courts and receivership program administrators to stabilize troubled properties when property owners have reneged on their responsibilities. It has become an important tool for communities trying to address neglected properties caused by the foreclosure crisis.

In 2008, MHP worked with the cities of Worcester and Springfield, their housing courts and their designated non-profit receivership administrators to take temporary control of troubled properties and bring in vital services like heat to existing tenants. MHP is working on establishing a similar program in New Bedford. In addition, MHP has established library of information and resources that explains the law and has conducted training sessions to help communities establish and support their own receivership efforts.

DHCD has also been proactive in its approach to preventing foreclosures. It has awarded \$1.5 million to fund eleven regional foreclosure education centers covering all of Massachusetts and provided additional funding to housing counseling agencies to support foreclosure prevention counseling and sub-prime borrower counseling.

The state has also co-sponsored foreclosure prevention workshops with local cities and towns across the state. These workshops, which have drawn over 2,200 people to date, are an opportunity for borrowers facing foreclosure to meet one on one with their lenders. The state has sponsored workshops addressing the rights of tenants in a foreclosure sale.

MHIC's neighborhood stabilization strategy has two primary components:

- the Neighborhood Stabilization Loan Fund ("NSLF") to finance the acquisition and rehabilitation of foreclosed and abandoned properties<sup>1</sup> (typically 2-4 family although available for larger multifamily buildings) by approved for-profit and non-profit sponsors; and
- a homebuyer incentive and rehabilitation program for the purchase and improvement of foreclosed properties (typically 1-3 family) by individual homebuyers.

Average funding for the NSLF program is \$70,000/unit, while the average funding for homebuyer assistance is \$15,000/unit. To maximize impact, MHIC will target the deeper NSLF funding to smaller concentrated areas within the hardest hit census tracts of the 14 target communities, working with local officials to identify priority properties whose rehabilitation is essential for neighborhood transformation. Most of the highly distressed properties will be rehabilitated by CDCs and for-profit developers. Most will be retained as rental, while a small number may be sold to homebuyers. Shallower homebuyer assistance will be provided to a broader but targeted area within those

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<sup>1</sup> Including properties in receivership that otherwise meet the NSP definition of abandoned.

communities to increase homeownership rates while facilitating the purchase of foreclosed properties bringing those neighborhoods down.

All properties purchased with NSP2 funds will be purchased at required below market prices, using appraisals to verify market value.

The MHIC Consortium will follow all federal rules, including relocation, procurement, public bidding, public comment and environmental reviews, as further discussed in Section 3.f. below.

The MHIC Consortium and its beneficiaries will conform to Uniform Relocation Action ("URA") requirements and develop relocation plans as necessary. The MHIC Consortium and its beneficiaries will ensure that bona fide tenants were provided notice prior to any purchase and honor bona fide leases that were in place prior to foreclosure. Many developers that will be assisted by the NSLF are interested in acquiring occupied buildings; these acquisitions will be encouraged by the MHIC Consortium in order to minimize displacement.

Four of the target communities – Boston, Brockton, Springfield and Worcester – are submitting NSP2 applications for their cities directly as well. Chelsea and Revere are submitting an application together with the nearby city of Everett. Since we have coordinated with each of these communities in the preparation of our application, we are confident that we would be able align our programs to avoid duplication if HUD were to fund both this application and those of the cities. For example, MHIC and the City of Boston have agreed that MHIC will make its funds available to Boston only if the City expended its full grant ahead of schedule and MHIC still had funds remaining in its program. With regard to the other city applications, if HUD decides that both MHIC and a local entity have submitted competitive and fundable applications, but that it will not fund both to carry out activities within the same target area, MHIC will agree to limit its NSP program to the other cities HUD does not fund directly. If this were the case, MHIC is confident that there remains sufficient need and implementation capacity in the remaining cities to justify the full funding request and, therefore, MHIC respectfully requests that HUD not reduce the award amount below what is requested in this application.

## (2) Uses of Funds and Firm Commitments

### (a) Table of Activities

<i>Activity</i>	<i>NSP-eligible use</i>	<i>Correlated CDBG-eligible use</i>	<i>Amount Budgeted</i>	<i>Responsible Party</i>
Rehab loans and associated administrative and activity delivery costs	(B) Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon;  (E) Redevelop vacant properties as housing	24 CFR 570.201(a), 24 CFR 570.202 and 24 CFR 570.206.	\$50 million	MHIC
Homebuyer incentive and rehabilitation program (interest subsidies, loan loss reserves, down payment and rehabilitation assistance) and associated costs.	(A) Establish financing mechanisms for purchase and redevelopment of foreclosed homes and residential properties; and  (B) Purchase and rehabilitate homes and residential properties that have been abandoned or foreclosed upon.	24 CFR 570.201(n), 24 CFR 570.202 and 24 CFR 570.206.	\$9 million	MHP

### (b) Description of Proposed Activities

**Neighborhood Stabilization Loan Fund.** The NSLF is an important component of Governor Deval Patrick's Five Point Plan initiated in November 2007 to address foreclosure problems in distressed urban communities across Massachusetts. Established in 2008, NSLF is a \$22 million fund managed by MHIC that combines \$17 million in private capital with \$5 million in philanthropic and government sources. MHIC also manages \$13 million in NSP1 and state subsidies to support projects financed under the loan program. Six communities have been targeted to date, including Boston, Chelsea, Lawrence, New Bedford, Springfield and Worcester. Approximately 180 units will be assisted under the first phase of this program.

With an additional \$50 million in NSP2 funding, the NSLF will be able to provide \$105 million in debt capital to extend its geography to include 8 additional communities - Brockton, Fall River, Fitchburg, Holyoke, Lowell, Lynn, Revere, Taunton - and provide expanded funding to the original six communities.

NSLF provides revolving acquisition/construction loans and lines of credit to approved non-profit and for-profit sponsors for the acquisition and rehabilitation of foreclosed and

abandoned properties. Sponsors must provide a strategic neighborhood stabilization plan demonstrating that it is viable and consistent with municipal efforts.

Acquisition/construction loans are made for the acquisition and rehabilitation of specific properties that will be underwritten by MHIC staff prior to any loan advances; and lines of credit will be used primarily to fund earnest money deposits, down-payments on purchase and sale agreements, pre-acquisition property due diligence costs and emergency repairs of occupied properties. NSP2 funds will be used for the rehabilitation of properties acquired through NSLF. While it is expected that average funding for the NSLF program will be \$70,000 per unit, the funding provided will be the least amount necessary but in the amount needed to successfully complete the project and contribute to neighborhood stabilization.

Properties financed through the NSLF will be acquired, rehabilitated as needed and rented or sold to eligible households. Any sales shall be in an amount equal to or less than the cost to acquire and redevelop or rehabilitate such home or property up to a decent, safe, and habitable condition. At least 25% of funding will be used to acquire and rehabilitate properties that will serve households with incomes at or below 50% of the area median income (AMI). Other units that receive NSP funds will be limited to households with incomes at or below 120% of AMI. The NSP2 funding requested will enable qualified for- and non-profit sponsors to restore 210 properties and return 620 units to productive use.

MHIC has ample organizational capacity to manage these activities. Between May 4, 2007 and May 3, 2009, MHIC financed the acquisition of 906 residential units and the rehabilitation of 1,098 residential units.

**Homebuyer Incentive and Rehabilitation Program.** The MHIC Consortium's Homebuyer Incentive and Rehabilitation Program will provide financial incentives for responsible buyers willing to purchase foreclosed properties to maintain and increase owner occupancy in the target neighborhoods. It is an expansion of MHP's proven SoftSecond Loan Program ("SoftSecond") which has helped almost 13,144 low- and moderate-income first-time homebuyers purchase homes in Massachusetts since 1991. Loan performance under the program is very strong with foreclosure and delinquency rates consistently at or below those of all prime mortgages in Massachusetts. All SoftSecond lenders comply with the bank regulators' guidance for non-traditional mortgages.

Through SoftSecond, eligible homebuyers can obtain below-market fixed-rate loans from 45 participating banks with a required down-payment of only 3%. The mortgage loan is split in two – typically a first mortgage at 77% of the purchase price and a second mortgage for the remaining 20% of the purchase price. The second mortgage loan is interest-only for the first ten years; some buyers are eligible for an interest subsidy. A loan loss reserve for the second mortgage loan is provided to the lender in lieu of costly private mortgage insurance, providing significant savings to the homebuyer. All SoftSecond homebuyers must complete 8 hours of training in an approved homebuyer education course. The program also provides a unique post-purchase education program.

To increase the pool of eligible homebuyers, the NSP2 program will expand eligibility to homebuyers earning up to 120% of area median income<sup>2</sup> to purchase foreclosed properties in the target areas. In addition, the program will be expanded beyond first-time homebuyers as is typically required.<sup>3</sup>

Down-payment assistance of up to \$7,500 per homebuyer will also be available, however, the homebuyer's contribution must be at least 1.5% of the purchase price. In addition, rehabilitation grants will be available in the amount of up to \$20,000 per unit, up to a maximum of \$40,000 per property<sup>4</sup>, to bring the properties into compliance with the Massachusetts State Sanitary Code and to make energy efficiency improvements. Down payment and rehabilitation assistance will be provided as recoverable grants with repayment obligations that burn off for each year that the homeowner remains in the home, for terms of 5 – 15 years depending on the amount of assistance provided.

Purchase/rehabilitation loans are not generally available in these communities because the additional rehabilitation costs are rarely supported by increases in appraised property values. Using small per-unit amounts of NSP2 funding to make down payment and rehabilitation assistance available in distressed neighborhoods, in conjunction with a proven mortgage product, will promote responsible homeownership and stabilize neighborhoods.

DHCD and MHP are currently preparing to launch a similar version of this program utilizing NSP1 funds in the eligible areas in the 39 municipalities designated by DCHD. It is expected that approximately 170 properties, with an estimated 255 units (given the predominance of three-family properties in Massachusetts), will be acquired under the NSP1 program with 100 rehabilitation grants provided.

NSP2 funding will be targeted to complement the investments made through the NSLF and will create an additional 360 homebuyer acquisitions, totaling approximately 600 housing units.

Between May 4, 2007 and May 3, 2009, MHP assisted 2,985 homebuyers with interest subsidies and/or loan loss reserves and DHCD provided oversight for grantees that provided down payment and/or rehabilitation assistance involving at least 75 units of housing.

### **(c) Commitment of Funds**

MHIC has committed to provide \$105 million in loans for the neighborhood stabilization program over the next three years. This commitment has been made possible by the fact

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<sup>2</sup> Ordinarily, SoftSecond is only available to buyers with total household income up to 100% AMI and interest subsidy is limited to homebuyers with total household income up to 80% AMI.

<sup>3</sup> The SoftSecond asset test of \$75,000 would still apply.

<sup>4</sup> These amounts may be adjusted if it is determined that a higher level of assistance is needed.

that its Neighborhood Stabilization Loan Fund has secured capital totaling \$35 million, including specifically: \$1 million from the Massachusetts Affordable Housing Trust Fund as a top loss reserve; subordinate PRI loans of \$4 million from the Boston Foundation (\$2 million), Hyams Foundation (\$1 million), and Living Cities Catalyst Fund (\$1 million); and \$30 million in senior debt from the Massachusetts Housing Partnership and the Massachusetts Housing Investment Corporation.

Given the fact that the typical term of these loans will be 12 months or less, the \$35 million in secured capital will be adequate to provide loans totaling \$105 million over three years. A firm commitment is included as Appendix 2.

**(d) Demolition and Preservation**

Based on the strong demand for affordable housing described in Section 1.b. above, the proposed program is a preservation effort. Demolition will be undertaken only to the extent necessary to reclaim and upgrade an abandoned or foreclosed property that is adjacent to one targeted for rehabilitation. The purpose of such demolition would be to increase the functionality and marketability of the rehabilitated housing by opening up land for a side yard or parking. Demolition as an activity separate from rehabilitation is not proposed.

**b. Completion schedule (5 points)**

Implementation will begin immediately upon execution of an NSP2 grant agreement. Infrastructure for all elements of the MHIC program are in place and potential developers and participating local agencies have already been identified in all of the 14 communities. Consequently, MHIC does not project a lengthy “ramp-up” of program activity, but expects, instead, to reach full program capacity soon after execution of the agreement.

The MHIC Consortium expects to fund an average of 18 units per month through NSLF funding and another 16 units per month in homeownership funding and expend 70% of all NSP2 funds within 24 months. During that period, the program will have financed 432 units of acquisition and rehabilitation; another 384 households will have received assistance from the homeownership program. The balance of funds will be expended within 36 months to finance another 216 units of acquisition and rehabilitation and assist 192 households through the homeownership program.

**c. Income targeting for 120 and 50 AMI (5 points)**

All NSP2 funds will be used to benefit individuals and families whose incomes do not exceed 120% of area median income. Not less than 25% of all NSP2 funds will be used to benefit individuals and families whose incomes do not exceed 50% of area median income. Properties reclaimed using NSP2 funds will provide long-term affordable housing opportunities for the Commonwealth’s residents in accordance with the following chart.

<i>Program</i>	<i>Income eligibility</i>	<i>Affordability Requirements</i>	<i>Beneficiaries</i>
NSLF (rehabilitation financing)	Income of homebuyers up to 120% of AMI; income of renters up to 50% or 120% of AMI depending on the level of NSP2 subsidy in the project	Homeownership projects, 15 years. Repayment obligation is reduced for each year the homeowner occupies the property. If rental units, may be limitation on maximum rent charge.  Rental projects, 15 years.	620 households
Homebuyer incentive and rehabilitation program (interest subsidies, loan loss reserves, down payment and rehabilitation assistance)	Total households income for homebuyers of up to 120% AMI; if rental, tenant income may have to be limited to 120% AMI	Funds provided required to be repaid for 5 -15 years spending on the amount of assistance provided; repayment obligation reduced for each year the homeowner occupies the property. If rental units, may be limitation on maximum rent charge.	360 homebuyers in total, all to be assisted with interest subsidies and/or loan loss reserves;  240 will also receive down payment assistance;  180 will receive rehabilitation assistance as well. Estimate 600 households.

It is expected that deeper levels of affordability may be able to be achieved in MHIC Consortium NSP2-funded properties, particularly those with a rental outcome. NSLF developers will be encouraged to coordinate with other affordable housing resources and seek rental assistance for tenants so that extremely low-income households (below 30% of AMI) may be served. Local housing authorities are eligible participants in the NSLF and it is expected that housing authorities focused on extremely low-income households will be beneficiaries.



MHP is responsible for certifying the incomes of homebuyers and their tenants as necessary. MHP will also assist MHIC in certifying the income of tenants and homebuyers for housing assisted with NSP2 funds through the NSLF. MHIC, MHP, and the majority of its public, non-profit, and for-profit development partners have extensive experience in affordable housing income certification and administration. MHIC's asset management department has been responsible for monitoring income compliance within its extensive portfolio of LIHTC projects since 1991. In this NSP2 program, property owners, community development corporations, and/or local officials will have principle responsibility for ensuring compliance with household income requirements, and will, in some cases, be required to file annual reports to MHIC, certifying compliance. MHIC and MHP will monitor compliance with these rules through periodic audits of owner or agency files.

**d. Continued Affordability (5 points)**

With regard to continued affordability, MHIC will ensure that all rental properties assisted with NSP2 funds will be subject to affordable housing restrictions recorded with the appropriate registry of deeds restricting tenant incomes and the maximum rents that can be charged in accordance with the forgoing for a minimum of 15 years. Longer affordability is expected in exchange for extension of the NSP2 deferred payment loans. It is anticipated that such restrictions will be documented through the Commonwealth's innovative "MassDocs" system (a finalist in the Harvard Kennedy School's 2008 Innovations in American Government competition) with such restrictions surviving in whole or in part even in the event of foreclosure of any senior debt so long as it is economically feasible to do so. Recorded restrictions will be imposed on rental units in properties purchased by homebuyers if applicable, using the NSP "pro rating" guidance and in accordance with HOME program requirements. Homeownership developments funded through the NSLF will be affordable for a period of 15 years, subject to recapture in accordance with the HOME program. In the homebuyer assistance component of the program, funds will be subject to recapture for 5-15 years depending on the amount of assistance provided and in accordance with HOME program requirements. All such homebuyer obligations will be secured by a recorded mortgage or covenant running with the land.

**e. Consultation, outreach, communications (5 points)**

**(1) Local Consultation:** MHIC's core mission is to work with, and in support of, its community-based partners in low-income communities to design financial products and services that best meet the needs of the low-income community and its residents. MHIC works with these community-based partners in ongoing dialogue with the low-income residents of communities to determine: (a) the best overall strategy to revitalize and stabilize the community; (b) the unmet needs of community residents; (c) the particular obstacles or barriers to meeting those needs; (d) the best use of particular sites or other development opportunities; and (e) reactions to specific development plans.

During the development of this application, MHIC worked closely with the mayors and community development departments of the target communities to identify the census

tracts in their communities to target for NSP2 funding and to ensure that our proposed activities are consistent with their comprehensive plans. As the program is implemented, we will work with community development officials closely to develop specific neighborhood strategies which identify specific properties and micro-areas for reclamation.

**(2) Outreach and Marketing.** Under the administration of Governor Deval Patrick, DHCD has made fair housing a top priority. The NSP2 activities of the MHIC Consortium will be governed by DHCD's Analysis of Impediments to Fair Housing Choice and Affirmative Fair Housing Policy. These comprehensive policies, and DHCD's participation in the Consortium, will help ensure that there is fair access to the housing created with NSP2 funds. All developers receiving NSP2 funds will be required to develop and implement fair housing plans in accordance with DHCD guidance. Moreover, NSP-funded rental units will be listed on the statewide Mass Access Housing Registry -- <http://www.massaccesshousingregistry.org/>

**(3) Communication.** As noted previously, one of MHP's core functions is its focus on and support for local organizations through its MHP's Community Housing Initiative group which is continually sharing information to encourage local groups on new ways to increase the supply of affordable housing in their communities. MHP has a long history of promoting "bottom up" solutions and making the larger system respond to local concerns.

As the foreclosure crisis unfolded in Massachusetts, MHP played a leadership role in the Commonwealth's Foreclosed Properties Task Force. One of the outcomes of the task force was a decision to empower and fund the Massachusetts Association of Community Development Corporations ("MACDC") to facilitate an on-going process of stakeholder engagement and feedback on how well key foreclosure initiatives were progressing and to bring concerns, ideas and recommendations forward to the relevant public and private entities responsible for those projects. Their "on the ground" feedback has been essential to ensuring that new programs and policies are effective and to help establish best practices to enable local entities to implement strategies to promote neighborhood stabilization and minimize displacement of existing occupants through the sound disposition of properties that are in foreclosure, or at-risk of foreclosure. MACDC will continue on in the role, providing ongoing and valuable feedback to the MHIC Consortium as we roll out NSP2 activities.

As part of MHIC's internal audit function, the MHIC Director of Asset Management will ensure that any complaints regarding the MHIC Consortium's NSP 2 program are processed promptly with a response provided within 15 working days.

**f. Performance and monitoring** (10 points).

**(1) Management Systems:**

MHIC has a management system in place that provides a strong set of checks and balances and internal controls for all of its lending, investing and grant management activities. MHIC utilizes disciplined underwriting standards, credit guidelines and asset

management policies and procedures to implement its various investment programs. Management of the NSP2 funds will be aligned with MHIC's Neighborhood Stabilization Loan Fund (NSLF). MHIC has developed a loan policy for its NSLF program that is authorized by its governing board, and used by its underwriters and by its NSLF Loan Committee in selecting, underwriting and approving prospective project financings.

MHIC has already developed a plan for monitoring the performance of its NSP1-funded NSLF program, which it will be expanded to cover the broader scope of this NSP2 proposal. MHIC has systems for routinely monitoring the performance of individual projects, overall program performance including the timely expenditure of funds, and compliance with all program regulations, including environmental review, URA, and affordability requirements.

MHIC has extensive experience monitoring the performance and compliance of other federally funded programs, specifically the Low Income Housing Tax Credit and New Market Tax Credit Programs. With these programs, MHIC has responsibility both to its investors as well as the federal government that funds are used in a timely manner and in conformance with all applicable requirements pertaining such as eligible uses, deployment of capital, and affordability. MHIC's asset management staff of eight, directed by Rich Becker, is responsible for oversight of all LIHTC and NMTC investments, including monitoring the condition of the physical assets, quarterly financial performance and tax and audit reviews, and monitoring of income compliance and QALICB status.

NSP funding recommendations for individual properties will be prepared by the Investment Officer and must be approved by the Director of Development and President and CEO prior to commitment. The Investment Officer will also be responsible for oversight of projects during the construction period, ensuring that projects are completed on time and within budget. The Investment Officer meets regularly with the Director of Development and the President and CEO to individual projects and overall program performance and also reports to the NSLF Committee, which provides valuable feedback on projects and overall program design and performance.

Construction monitoring will be performed by rehabilitation consultants, who will review construction documents and budgets prior to construction starts, inspect properties at least twice during the construction period, and approve construction expenditures prior to the release of NSP2 funds. Rehabilitation consultants will work under the direction of the Investment Officer and Construction Liaison Officer.

MHIC's Credit Review Committee meets semi-annually to review loans across its multiple business areas, including NSLF projects. Although the specific function of the Credit Review Committee is to monitor loan performance, this is intricately related to the effective use of NSP grant funds in these same projects.

MHIC has the management information systems to support its program monitoring needs. The Finance Department, which is managed by the Director of Finance, Bill Thompson, is responsible for information technology support, network and infrastructure maintenance, and developing information systems. This department has a dedicated

information technology staff consisting of a programmer (that works on a contract basis) and network specialist to maintain and enhance its proprietary database system.

The database was developed "in-house" and customized to meet MHIC's unique needs in servicing its core loan, housing credits, new markets, and neighborhood stabilization programs. It contains comprehensive information about projects, funding sources, and customers to assist in analyzing and managing MHIC's businesses, including long-term project compliance. The database is also used to process all transactions that MHIC and its affiliates generate, including within it NSLF and NSP activities. The database has numerous controls to ensure that transactions are properly authorized and accurately processed. MHIC's technical infrastructure provides real time data to program managers, supports NSP regulatory and statutory compliance, and the ability to meet HUD's NSP2 reporting requirements.

Conformance with NSP regulations and requirements is critical to overall program performance. If funded, MHIC will hire a new full-time staff person who will be primarily responsible, working in conjunction with DHCD's CDBG and NSP staff, for monitoring continuous compliance with NSP2 statutory and regulatory requirements.

## **(2) Internal Audit Function:**

MHIC's Asset Management staff has substantial experience monitoring the daily performance and regulatory compliance of its Low Income Housing Tax Credit and New Market Tax Credit portfolios. In addition, it monitors monthly (in some cases), quarterly and annual financial performance of all assets in its portfolio. Policies and procedures have been developed along with regular checks and balances among the various functional departments at MHIC. These procedures have been established for the protection and comfort of our investors across all product lines and will be expanded to incorporate the requirements of HUD and the NSP2 program. Additional quarterly and annual internal reviews are conducted and prepared for our investors as requested. Policies and procedures are reviewed and accordingly updated annually.

MHIC's asset management staff of eight, directed by Rich Becker, is responsible for oversight of all LIHTC and NMTC investments, including monitoring the condition of the physical assets, quarterly financial performance and annual tax and audit reviews, and monitoring of income compliance and QALICB status. A watch list has been established to monitor assets that require special attention. Our existing audit functions start at closing of a project and go through, and in some cases beyond, disposition of the asset at the end of its compliance period. Asset management staff performs a thorough orientation for each new asset so that we will become intimately familiar with the legal and regulatory aspects of each deal. The Asset Managers 'Know their deals.' All deals are reviewed at a minimum of twice per year; all watch-listed assets being monitored monthly. MHIC's existing fiscal and database systems will be adapted to meet the needs of the NSP2 program.

MHIC's asset management experience come from many years in the business and from varied technical backgrounds of staff including an attorney, Certified Property Manager, MBA and CPA. Mr. Becker directed internal audits during his 3 years as a supervisor for

KPMG Peat Marwick and during his 8 years as an audit specialist in the internal audit department at what is now Bank of America. Other asset management staff have practical real estate experience and exceptional compliance and monitoring background.

The NSP internal audit function will be developed by Mr. Becker and his staff to adequately protect all assets in the NSP program. MIHC's internal audit team will continually examine potentially risky areas of program operations and management and provide regular and valuable feedback to program managers and to those who hold them accountable. This feedback will include identification of risky management practices and missing or ineffective internal controls, areas that are not in compliance with program requirements and ineffective implementation of established policies.

The NSP Internal Audit oversee compliance with all HUD requirements including, but not limited to: environmental review, income eligibility, eligible use, appraisal, relocation and procurement.

#### **4. Leveraging of Funds or Removal of Substantial Negative Effects** *(10 points)*

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MHIC is committed to leveraging as many resources as possible to make the NSP2 funds maximally effective. Since its inception in 1991, MHIC has been highly successful in leveraging resources for its projects and initiatives. Since the early 1990's, MHIC has been involved in financing LIHTC investments resulting in \$530 million in project investments and has been awarded \$345 million in New Markets Tax Credit allocations that resulted in the financing of 32 projects with an investment totaling \$257.5 million. In the target area alone, MHIC has provided \$164 million in financing which leveraged \$161 million in equity and another \$177 million in local governmental and philanthropic support.

For the launch of the NSLF program, MHIC used \$13 million in NSP1 and state subsidies to raise \$17 million in private capital which in turn leveraged \$5 million in philanthropic and other government funds.

For the program proposed in this application, the NSLF has committed to make available \$105 million in loans over the next three years. As noted previously, this commitment is made possible by the fact that the Massachusetts Neighborhood Stabilization Loan Fund has secured capital totaling \$35 million, including specifically: \$1 million from the Massachusetts Affordable Housing Trust Fund as a top loss reserve; subordinate PRI loans of \$4 million from the Boston Foundation (\$2 million), Hyams Foundation (\$1 million), and Living Cities Catalyst Fund (\$1 million); and \$30 million in senior debt from the Massachusetts Housing Partnership and the Massachusetts Housing Investment Corporation.

By providing \$105 million in lending against the \$59 million requested in NSP2, the MHIC Consortium will leverage \$1.78 of private capital for every \$1.00 of NSP2 funds.

## **5. Energy Efficiency Improvements and Sustainable Development Factors**

*(10 points)*

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The MHIC Consortium is committed to fostering sustainable development and improving energy efficiency. The proposed neighborhood stabilization program does that first and foremost by targeting older, established urban areas in Massachusetts to take advantage of existing housing stock located close to public transportation, employment centers and available services. The proposed neighborhood stabilization plan is consistent with the Commonwealth's Sustainable Development Principles by fostering the development of housing, particularly multifamily and smaller single-family homes, in a way that is compatible with a community's character and vision and with providing new housing choices for people of all means.

In 2004, the Commonwealth of Massachusetts has established a Smart Growth initiative to encourage communities to create dense residential or mixed-use smart growth zoning districts, including a high percentage of affordable housing units, to be located near transit stations, in areas of concentrated development such as existing city and town centers, and in other highly suitable locations. Qualifying communities become eligible for payments from a Smart Growth Housing Trust Fund, as well as other financial incentives. The initiative seeks to substantially increase the supply of housing and decrease its cost, by increasing the amount of land zoned for dense housing. It targets the shortfall in housing for low- and moderate-income households, by requiring the inclusion of affordable units in most private projects. Seven of the 14 target communities – Boston, Brockton, Chelsea, Holyoke, Lawrence, Lowell and Taunton -- have been established "smart growth" districts; another two – Fitchburg and New Bedford -- are in the advanced stages of establishing smart growth districts.

All fourteen of the target communities are served by regional transit authorities, while 70%, or 100, of the 142 target census tracts are served by express commuter buses, local bus services with frequencies of 20 minutes or less, and/or or rail services. Thirty-six of the targeted tracts are served by both rail and bus service. Another six tracts in Boston currently served by buses only will be getting enhanced commuter rail service during the NSP2 project period.

In addition, many of the targeted municipalities have created special homeownership programs to encourage employees to live in the neighborhoods in which they work. Buy Worcester Now, a private/public partnership involving the city, 17 lenders, seven large city employers, nonprofit groups, lawyers and real estate agents, is one such example. The program offers financial incentives to first- and second-time homebuyers, first-time homebuyer classes, counseling services and assistance in selecting a home and mortgage loan. Participating employers can use MHP's MassWorks Mortgage program, an employer-assisted mortgage program in which the state matches the employer's contribution for first-time homebuyers. To date, 83 Worcester homebuyers have closed on loans through Buy Worcester Now, many of them in neighborhoods beset by foreclosures.

A majority of the target communities are key employment centers in Massachusetts. The job base is especially concentrated in the Greater Boston region, with the cities of Boston (548,831 jobs) and Cambridge (105,311 jobs) accounting for more than 40% of that region's employment. Many of the surrounding cities (which include Chelsea, Revere, Lynn) also provide substantial numbers of jobs. In the Northeast region, Lowell is the largest job center with 33,164 jobs. Large employment centers in the Southeast region include Brockton (39,155 jobs), New Bedford (37,223 jobs) and Fall River (36,989 jobs). Additionally, very large job centers include the city of Worcester (98,955 jobs) in the Central region and the city of Springfield (75,822 jobs) in the Pioneer Valley region. [Donahue Institute]

The MHIC Consortium will also commit to exceeding Energy Star standards and using all Energy Star appliances. MHIC will continue its practice of providing training for staff and developers on green building standards and will develop guides for homeowners and renters explaining the intent, benefit, use and maintenance of green features which have been incorporated into the homes renovated with NSP2 funding and encouraging additional green activities such as recycling and using healthy cleaning materials. The MHIC Consortium will promote the green elements recommended in Appendix 2 of the NOFA and require that recipients of NSP2 funding incorporate them into their designs to the extent financially and programmatically feasible.

## **6. Neighborhood Transformation and Economic Opportunity** *(5 points)*

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DHCD, is currently working with mayors, city managers, and legislators in nine of the target communities – Brockton, Fall River, Fitchburg, Holyoke, Lawrence, Lowell, New Bedford, Springfield, Worcester -- to promote the Gateway Cities Project, which seeks to support economic redevelopment in the state's historic mill cities, which have substantial urban infrastructure but have not fully shared in the shift to a knowledge-based economy. DHCD provided \$2 million in grant funding to support local planning efforts to expand housing opportunities in Gateway communities and spur revitalization that creates and restores vibrant mixed-income neighborhoods. The Gateway Plus Action Grant builds on DHCD's mission to strengthen cities, towns and neighborhoods by focusing its resources on the examination of housing issues in specific target areas (neighborhoods) of the community. One specific focus of the Gateway Cities Project is addressing needs resulting from abandonment and/or foreclosure. MHIC certifies that the NSP2 activities put forward in this application are consistent with and critical to the implementation of those plans. Plans for each of the nine participating communities are available from DHCD.

Exhibit 1: Target Census Tracts

Municipality	Census Tract	HUD Foreclosure Score	HUD Vacancy Score	Maximum Score
Boston	050600	16	16	16
Boston	050900	17	15	17
Boston	080100	19	19	19
Boston	080300	18	17	18
Boston	081500	16	17	17
Boston	081800	19	19	19
Boston	082000	17	19	19
Boston	082100	19	16	19
Boston	090100	20	18	20
Boston	090200	20	18	20
Boston	090300	19	19	19
Boston	090400	19	19	19
Boston	090600	18	18	18
Boston	091300	18	17	18
Boston	091400	18	15	18
Boston	091500	19	17	19
Boston	091600	15	16	16
Boston	091700	18	18	18
Boston	091800	17	18	18
Boston	091900	19	18	19
Boston	092000	18	19	19
Boston	092300	19	18	19
Boston	092400	20	17	20
Boston	100200	19	19	19
Boston	100300	19	18	19
Boston	100500	18	16	18
Boston	101001	19	13	19
Boston	101002	19	14	19
Boston	101101	18	14	18
Boston	101102	19	16	19
Boston	140300	18	12	18
Boston	140400	20	14	20
Brockton	510200	19	17	19
Brockton	510300	19	12	19
Brockton	510400	20	17	20
Brockton	510502	19	11	19
Brockton	510700	19	13	19
Brockton	510800	20	19	20
Brockton	511000	17	17	17
Brockton	511100	20	13	20
Brockton	511301	19	15	19
Brockton	511500	19	19	19
Brockton	511600	19	16	19



<b>Municipality</b>	<b>Census Tract</b>	<b>HUD Foreclosure Score</b>	<b>HUD Vacancy Score</b>	<b>Maximum Score</b>
Chelsea	160100	16	12	16
Chelsea	160400	16	13	16
Chelsea	160500	19	13	19
Fall River	640200	15	19	19
Fall River	640600	14	19	19
Fall River	640800	13	18	18
Fall River	640900	16	19	19
Fall River	641200	16	19	19
Fall River	641400	19	19	19
Fall River	641900	16	19	19
Fall River	642200	13	16	16
Fitchburg	710500	18	19	19
Fitchburg	710600	19	19	19
Fitchburg	710700	17	20	20
Fitchburg	710800	18	20	20
Fitchburg	711000	17	19	19
Holyoke	811800	18	15	18
Holyoke	812102	18	13	18
Lawrence	250200	18	15	18
Lawrence	250300	18	14	18
Lawrence	250500	19	10	19
Lawrence	250600	19	16	19
Lawrence	250700	19	13	19
Lawrence	250800	19	12	19
Lawrence	250900	20	11	20
Lawrence	251000	19	11	19
Lawrence	251100	20	16	20
Lawrence	251400	19	11	19
Lawrence	251500	19	12	19
Lowell	310400	17	7	17
Lowell	310700	18	9	18
Lowell	311100	17	11	17
Lowell	311200	17	16	17
Lynn	205500	16	15	16
Lynn	206200	18	13	18
Lynn	206300	17	13	17
Lynn	206400	18	11	18
Lynn	207100	18	13	18

Municipality	Census Tract	HUD Foreclosure Score	HUD Vacancy Score	Maximum Score
New Bedford	650700	18	20	20
New Bedford	650800	18	17	18
New Bedford	651100	19	18	19
New Bedford	651200	19	19	19
New Bedford	651300	18	19	19
New Bedford	651400	18	17	18
New Bedford	651500	18	11	18
New Bedford	651600	18	13	18
New Bedford	651700	19	16	19
New Bedford	651900	19	16	19
New Bedford	652600	18	18	18
New Bedford	652700	17	18	18
Revere	170100	18	12	18
Revere	170600	17	12	17
Revere	170700	17	14	17
Springfield	800100	19	18	19
Springfield	800201	19	13	19
Springfield	800300	19	11	19
Springfield	800400	20	15	20
Springfield	800500	19	17	19
Springfield	800600	20	16	20
Springfield	800700	20	12	20
Springfield	800800	20	12	20
Springfield	800900	20	16	20
Springfield	801200	19	17	19
Springfield	801300	20	18	20
Springfield	801401	20	18	20
Springfield	801402	19	13	19
Springfield	801501	20	12	20
Springfield	801502	19	11	19
Springfield	801503	19	13	19
Springfield	801700	20	19	20
Springfield	801800	20	20	20
Springfield	801900	20	18	20
Springfield	802000	20	16	20
Springfield	802100	19	18	19
Springfield	802200	20	19	20
Springfield	802300	20	18	20
Springfield	802601	19	16	19

Municipality	Census Tract	HUD Foreclosure Score	HUD Vacancy Score	Maximum Score
Taunton	613600	17	19	19
Taunton	613800	18	19	19
Taunton	613900	19	15	19
Taunton	614000	17	17	17
Taunton	614101	19	12	19
Worcester	730402	17	17	17
Worcester	730700	19	11	19
Worcester	731000	20	11	20
Worcester	731201	19	14	19
Worcester	731300	20	19	20
Worcester	731400	19	17	19
Worcester	731500	19	18	19
Worcester	731800	18	16	18
Worcester	731900	20	19	20
Worcester	732001	20	11	20
Worcester	732300	19	14	19
Worcester	732400	19	19	19
Worcester	732500	20	19	20
Worcester	732600	18	16	18
Worcester	732700	18	16	18
Worcester	733000	19	17	19
<b>Target Area</b>		<b>18.40</b>	<b>15.74</b>	<b>18.74</b>

**MHIC Consortium**

**NSP2 Application**

**Disclosures**

**SF-LLL, Disclosure of Lobbying Activities, as applicable**

# DISCLOSURE OF LOBBYING ACTIVITIES

Complete this form to disclose lobbying activities pursuant to 31 U.S.C. 1352

Approved by OMB

0348-0046

(See reverse for public burden disclosure.)

<b>1. Type of Federal Action:</b> <input checked="checked" type="checkbox"/> a. contract <input type="checkbox"/> b. grant <input type="checkbox"/> c. cooperative agreement <input type="checkbox"/> d. loan <input type="checkbox"/> e. loan guarantee <input type="checkbox"/> f. loan insurance		<b>2. Status of Federal Action:</b> <input checked="checked" type="checkbox"/> a. bid/offer/application <input type="checkbox"/> b. initial award <input type="checkbox"/> c. post-award		<b>3. Report Type:</b> <input checked="checked" type="checkbox"/> a. initial filing <input type="checkbox"/> b. material change <b>For Material Change Only:</b> year _____ quarter _____ date of last report _____	
<b>4. Name and Address of Reporting Entity:</b> <input checked="checked" type="checkbox"/> Prime <input type="checkbox"/> Subawardee Tier _____, if known: Massachusetts Housing Investment Corporation 70 Federal Street, Boston, MA 02109  Congressional District, if known: MA- 008			<b>5. If Reporting Entity in No. 4 is a Subawardee, Enter Name and Address of Prime:</b>   Congressional District, if known:		
<b>6. Federal Department/Agency:</b> Housing and Urban Development, Office of Block Grant F			<b>7. Federal Program Name/Description:</b> NSP2 CFDA Number, if applicable: 14.256		
<b>8. Federal Action Number, if known:</b>			<b>9. Award Amount, if known:</b> \$		
<b>10. a. Name and Address of Lobbying Registrant</b> (if individual, last name, first name, MI): Not applicable.			<b>b. Individuals Performing Services</b> (including address if different from No. 10a) (last name, first name, MI): Maffei, Maria T., 27 Aldworth Street, Jamaica Plain, MA 02130.		
<b>11.</b> Information requested through this form is authorized by title 31 U.S.C. section 1352. This disclosure of lobbying activities is a material representation of fact upon which reliance was placed by the tier above when this transaction was made or entered into. This disclosure is required pursuant to 31 U.S.C. 1352. This information will be available for public inspection. Any person who fails to file the required disclosure shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.			Signature:  Print Name: Joseph L. Flately Title: President & CEO Telephone No.: 617-850-1000 Date: 7/15/09		
<b>Federal Use Only:</b>				Authorized for Local Reproduction Standard Form LLL (Rev. 7-97)	

**MHIC Consortium**

**NSP2 Application**

**Disclosures**

**HUD-2880 Applicant/Recipient Disclosure/Update Report**

# Applicant/Recipient Disclosure/Update Report

U.S. Department of Housing  
and Urban Development

OMB Approval No. 2510-0011 (exp. 8/31/2009)

**Instructions.** (See Public Reporting Statement and Privacy Act Statement and detailed instructions on page 2.)

## Applicant/Recipient Information

Indicate whether this is an Initial Report ☒ or an Update Report ☐

1. Applicant/Recipient Name, Address, and Phone (include area code): Massachusetts Housing Investment Corporation 70 Federal Street, Boston, MA 02109 617-850-1000	2. Social Security Number or Employer ID Number:  04-3094550
3. HUD Program Name  NSP2	4. Amount of HUD Assistance Requested/Received  \$59,000,000

5. State the name and location (street address, City and State) of the project or activity:  
See list of census tracts attached.

## Part I Threshold Determinations

1. Are you applying for assistance for a specific project or activity? These terms do not include formula grants, such as public housing operating subsidy or CDBG block grants. (For further information see 24 CFR Sec. 4.3). <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	2. Have you received or do you expect to receive assistance within the jurisdiction of the Department (HUD), involving the project or activity in this application, in excess of \$200,000 during this fiscal year (Oct. 1 - Sep. 30)? For further information, see 24 CFR Sec. 4.9 <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No.
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If you answered "No" to either question 1 or 2, **Stop!** You do not need to complete the remainder of this form.  
**However, you must sign the certification at the end of the report.**

## Part II Other Government Assistance Provided or Requested / Expected Sources and Use of Funds.

Such assistance includes, but is not limited to, any grant, loan, subsidy, guarantee, insurance, payment, credit, or tax benefit.

Department/State/Local Agency Name and Address	Type of Assistance	Amount Requested/Provided	Expected Uses of the Funds
MAHHP	Private capital	\$30,000,000	Revolving loan fund
Foundations	PRI loans	\$4,000,000	Revolving loan fund

(Note: Use Additional pages if necessary.)

## Part III Interested Parties. You must disclose:

- All developers, contractors, or consultants involved in the application for the assistance or in the planning, development, or implementation of the project or activity and
- any other person who has a financial interest in the project or activity for which the assistance is sought that exceeds \$50,000 or 10 percent of the assistance (whichever is lower).

Alphabetical list of all persons with a reportable financial interest in the project or activity (For individuals, give the last name first)	Social Security No. or Employee ID No.	Type of Participation in Project/Activity	Financial Interest in Project/Activity (\$ and %)
Maffei, Maria T.	013-52-4459	consultant	\$20,000; .0004%
Davis, Timothy	258-90-9164	consultant	\$7,000; .0001%

(Note: Use Additional pages if necessary.)

## Certification

**Warning:** If you knowingly make a false statement on this form, you may be subject to civil or criminal penalties under Section 1001 of Title 18 of the United States Code. In addition, any person who knowingly and materially violates any required disclosures of information, including intentional non-disclosure, is subject to civil money penalty not to exceed \$10,000 for each violation.

I certify that this information is true and complete.

Signature:  x 	Date: (mm/dd/yyyy)  07/15/09
---	------------------------------------

**Part II Expected Sources and Uses of Funds, continued**

<b>Department/State/Local Agency</b>	<b>Type of Assistance</b>	<b>Amount Provided</b>	<b>Expected Use</b>
<b>DHCD/Affordable Housing Trust Fund</b>	<b>Loan</b>	<b>\$1,000,000</b>	<b>Revolving loan fund</b>



**MHIC Consortium**

**NSP2 Application**

**Appendix 1**

**MHIC's Code of Conduct**

**Appendix to Employee Handbook**

**Massachusetts  
Housing Investment  
Corporation**

**Code of Conduct**

*April 2008*

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# MHIC Code of Conduct

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## INTRODUCTION

The code of conduct is intended to be a guide to appropriate, ethical behavior for all directors, officers, and employees of MHIC, each of which is collectively herein referred to as employees. All employees are responsible for their own compliance with this Code of Conduct. All supervisors and managers are responsible for enforcing all policies within this Code of Conduct. Appropriate disciplinary action, up to and including termination of employment, may result if an employee violates any policy within this Code of Conduct.

This Code sets forth policies that, in many instances, exceed the minimum requirements of the law, and that supplement the policies outlined in the Employee Handbook. Many areas of potentially unethical or illegal conduct are addressed, but it is not possible to make an exhaustive list of prohibited conduct. When in doubt as to whether a particular activity is proper, you should refrain from the activity until guidance is obtained from your supervisor or the President.

## 1 Fair Practices and Ethics

The Company expects each employee to adhere to the highest ethical and professional standards. You should always act honestly and in good faith, strive for excellence in the performance of your duties, treat everyone fairly and considerately, observe all laws and regulations governing the Company's business, compete fairly with others and use corporate assets only for legitimate and ethical business purposes.

The company expects all employees to perform their duties in conformance with applicable laws in all places and at all times. No employee or representative should attempt to use outside agents or other indirect means to violate or circumvent applicable laws and regulations or this Code.

The Company respects your right to engage in activities outside of your employment with the Company which may be private in nature, but also expects that these activities will not conflict with or reflect negatively upon the objectives or business of the Company.

All managers must encourage the development of the commitment and ability of their staff to make judgments consistent with this Code of Conduct. All managers must ensure that each employee receives a copy of the Code of Conduct and submits an acknowledgment form signed by the employee.

## 2 Confidentiality of Information

During the course of your employment or association with MHIC you will, from time to time, have access to confidential information and/or software which is proprietary to and/or a trade secret of MHIC or its licensors or suppliers. Proprietary information includes all trade secrets, trade knowledge, systems data, documentation, files or to the information relating to the operation of MHIC.

Neither MHIC nor any employee of MHIC will disclose confidential information about MHIC or any customer or potential customer of MHIC. MHIC and its employees are committed to protecting that confidentiality throughout the processing of such information, including origination, entry,

distribution, storage, and disposal. The business, accounts, or transactions of customers or potential customers will be discussed between employees only for business purposes. Information relating to a customer's or potential customer's business should not be disclosed to any other MHIC employees who do not need to know the information in order to effectively do their jobs. All requests made by any court or law enforcement agencies must be referred to the MHIC Finance and Administration Departments.

## **201 Defining Confidentiality**

"Confidential information" is defined as:

1. All information about MHIC's business plans, financial condition, and regulatory status;
2. The identity of customers or potential customers; and
3. All information about MHIC's customers and potential customers, including their account balances, loan balances, payment histories, business plans and the fact that they are a customer of MHIC; unless such information, such as that used in advertising, has been effectively communicated to the general public. Confidential information includes information in written, spoken, and electronic forms.

## **202 Information Security**

Employees will use MHIC computer resources only for completion of the employee's assigned duties.

Employees will protect the confidentiality of MHIC's computer information by:

1. Never leaving an active (signed on) terminal unattended.
2. Never revealing your password to anyone for any reason.
3. Never allowing another person to use your user identification.
4. Never using anyone else's user identification.

Employees are allowed to access computer information regarding accounts only for business purposes and may not look up information on the accounts of another employee unless specifically authorized.

## **203 Proprietary Information**

Trade secrets and financial and administrative information are valuable assets that must be protected. In general, MHIC's confidential information includes matters such as new product, research and business proposals; customer and vendor lists; salary wage and benefits data; operating and marketing plans; unpublished financial or pricing information; and details about customer specifications.

## **204 Non-Disclosure**

Confidential information may be disclosed if the customer consents in writing to such disclosure and then only in writing to the person or entity indicated. Copies of such consent and disclosure should be retained in the customer's file.

Confidential information may be disclosed in response to a request for credit reference in accordance with Credit Policy Manual Policy 2280, "Exchanging Commercial Credit Information."

Confidential Information may be disclosed by the Finance and Administration Departments in response to a subpoena or court order, in legal action involving MHIC, or in preparation of a criminal referral.

In addition to protecting company-confidential information, employees must be careful to prevent the unauthorized disclosure of any classified information regarding government business. Anyone who mishandles classified information may be prosecuted under existing law.

## **205 Prohibition Against Use of Material Inside Information**

- Employees who have material, non-public information about the Securities of any publicly traded company, including securities of a customer, must not trade the securities for themselves, for a related account, or for the account of a customer. Employees who have material, non-public information about MHIC or MHIC securities must not trade MHIC securities for themselves or for a related account or for the account of a customer. Trades made by or on behalf of a related account are deemed to be made by the Employee for purposes of this policy.
- Employees must not disclose non-public Information about customers or MHIC to anyone inside the MHIC organization who does not need the information in order to perform their job effectively, nor to anyone outside the MHIC organization except as required by law.
- Employees who are members of organizations and who have material, non-public Information about a company must not participate in any decision by that organization to trade in such company's securities and must abstain from voting on such decision.

## **3 Contracts**

The Company enters into many contracts in the ordinary course of its business. Some contracts are important enough to require approval by a corporate officer and/or prior review by the President. Contracts may be oral or written. These guidelines apply to both.

- Any contract for goods or services having a total cost of \$1,000 must be signed by an officer of the corporation. Any contract for goods and services having a total cost of \$5,000 or more shall be signed only by the President of MHIC.
- Any contract having a term greater than one (1) year (including renewals) or which cannot be performed within one (1) year shall be signed only by the President.

## **4 Acceptance of Gifts and Entertainment**

This policy prohibits the corrupt solicitation or acceptance by any employee of any gift, entertainment, or item of value given by any customer, whether an individual or organization, or by any vendor including attorneys, consultants, and computer companies in connection with MHIC business. Some exceptions apply for special occasion gifts and business meetings.

#### **401 Prohibited Gifts**

- Personal gifts
- Meals
- Entertainment, such as sporting event, theater tickets, travel or accommodations.
- Money
- Bequests, legacies, or gifts through a will or a trust.

#### **402 Exceptions**

- Advertising materials or gifts of a modest value not to exceed \$100 such as pens, calendars or key chains or gifts in connection with commonly recognized events such as holidays, weddings, etc.
- Gifts of modest value that may be shared throughout the company such as fruit baskets, candy, etc.
- Gifts from customers who are also family members or personal friends of the employee, where the family or personal relationship is the purpose of the gift, rather than the customer/employee relationship.
- Meals or entertainment if the purpose of the meeting is for business discussions and if the expense would have been paid for by MHIC if not paid by the customer.
- Civic, charitable, or religious organizational awards, trophies, or plaques.

Any other exceptions must receive advance approval, in writing, by the Corporate General Counsel pursuant to the written recommendation of the requesting employee's department manager. Employees should retain a copy of any such approval.

### **5 Personal Finances**

#### **501 Prudent Management of Personal Transactions**

All employees are expected to conduct their personal financial affairs in an appropriate manner.

### **6 Conflict of Interests**

Each employee must avoid any situation in which he or she might personally profit, or give the appearance of personally profiting, from MHIC's facilities or relationships, or otherwise create a conflict of interest or divided loyalties.

#### **601 Potential Conflicts of Interest**

Examples of potential conflicts of interest include:



- Purchasing of property held by MHIC in a fiduciary capacity without prior written approval from MHIC.
- Employment with another financial institution or any organization that could be considered a competitor of MHIC.
- Services that involve rendering advice or exercising judgement based upon information acquired primarily from employment with MHIC.
- Participation in activities in a manner which may imply MHIC's sponsorship or support without the prior approval of the employee's business line manager.
- Outside activities that may (a) adversely affect the quality of work performed for MHIC; or (b) conflict with time commitments to MHIC through interference with working hours or otherwise.
- Accepting appointment as a co-fiduciary with MHIC in any trust, estate, agency, guardianship, or conservatorship unless the creator of the relationship is a relative of the employee.

Any employee who finds themselves in a situation that is a potential conflict or has a question about conflict of interest should bring the situation immediately to the attention of their supervisor.

## **602 Exceptions**

The President, upon the recommendation of the employee's supervisor, may approve an exception to the prohibited activities. All such approvals must be in writing; the employee shall retain the original recommendation and the Administration Department shall retain a copy.

## **7 Community Service**

Employees are encouraged to accept appointments as trustees, directors or officers of non-profit organizations such as economic development and other civic or charitable organizations. If an entity does business with MHIC, employees are required to report such activities to their manager.

Employees are also encouraged to serve their communities on state entities, school committees, finance committees, planning boards and other community offices. Employees who are serving in such capacities must comply with any statutes, regulations, rules, or policies applicable to such government organizations. In order to avoid possible conflicts of interest situations, employees must notify their supervisors and the President prior to accepting such positions.

## **701 Approval**

Two factors are considered for approval:

### **(a) Time Commitment.**

Most activities of this type will not interfere with an employee's MHIC responsibilities. Because of the time involved or the responsibility of the office to be held, there are some cases where a problem might arise. Prior to announcing any candidacy or accepting any appointment involving a time commitment during normal business hours, the employee must inform his or her superior of this intention. The superior will determine whether the office in question would interfere with the employee's current assignment or increase MHIC's potential liability.

### **(b) Conflict of Interest.**

Serving in such capacity may raise questions of conflict of interest. The opinion of President must be sought if either the employee or his/her supervisor believes that a potential conflict of interest may exist.

### **Prohibited Organizations**

Officers are prohibited from accepting appointments as directors or trustees, of the following entities without first obtaining the written approval of Management and Corporate General Counsel:

- Any Massachusetts bank, Massachusetts bank holding company, Massachusetts credit union or trust company (other than an MHIC affiliate).
- Any company primarily engaged in the issue, flotation, underwriting, public sale, or distribution of stocks, bonds, or other similar securities.
- Public utilities or their holding companies.
- Any obligor of securities for which any MHIC affiliate is indenture trustee.

### **Exceptions**

When an employee requests approval for an exception to this policy, the following information should be included:

1. Description of the business.
2. The relationships of the business with MHIC.
3. Any fee or salary proposed to be paid to the employee.

Employees should retain any such written approval.

### **Other Parameters**

Performance of services as a director or employee of another corporation must not increase the potential liability of MHIC nor create a conflict of interest.

Where an employee of MHIC joins a board of directors at the request of MHIC, or in order to represent MHIC, any fee earned as such a director will be remitted to MHIC. Other fees earned as a member of a board of directors where the membership was not at the request of MHIC or in order to represent MHIC, may be retained by the employee.

## **8 Relationships with Public Officials**

Because MHIC and its subsidiaries are subject to federal and state restrictions on corporate expenditures for the benefit of public officials, no employee of MHIC or its subsidiaries may expend corporate funds, directly or indirectly, or personal funds for the purpose of the furtherance of business with MHIC, by providing any item of value for the benefit of federal, state or local officials

or the staffs or families of such public officials or employees except as provided below. This includes expenditures made with the expectation of reimbursement by the party for whom the expenditure is made.

Items of value covered by this policy include, but are not limited to, meals, entertainment, sporting events, honoraria, and gifts.

Expenditures of less than \$50.00 may be made for the benefit of state and local officials in Massachusetts provided that such expenditures shall be reported to the employee's division manager who shall, on a quarterly basis, report such expenditures to the Director of Finance and Director of Administration.

Any other exceptions to this policy may be made, subject to applicable federal and state law, only by requesting and receiving prior, documented authorization from the director of corporate affairs or designee. Any expenditures for which reimbursement will be made by the public official must be itemized and billed to said public official and reported to the Director of Finance.

## **801 Political Contributions**

Because MHIC and its subsidiaries are subject to federal and state limitations on political contributions, no employee of MHIC or its subsidiaries may make or promise to make, any political contribution on behalf of MHIC or its subsidiaries.

No employee of MHIC or its subsidiaries may coerce, require, or pressure fellow employees to make or refrain from making a political contribution, including contributions to an MHIC Political Action Committee.

This policy does not prohibit the following: (1) authorized employees from soliciting permissible voluntary political contributions on behalf of an MHIC Political Action Committee; and (2) employees in their personal capacities from soliciting voluntary political contributions from their fellow employees in such employees' personal capacities, provided such solicitation is (a) done on personal time, not during working hours and (b) off the company premises.

## **9 Use of MHIC Resources**

Employees are prohibited from using corporate time, resources, equipment, and assets for personal gain. Materials, products, copyrights, and patents developed by an employee during work time or using MHIC assets are the property of MHIC.

### **901 Property Owned by MHIC**

All employees and their immediate family members (parents, children, spouse, siblings) are prohibited from purchasing any property owned by MHIC if the employee is directly involved in the area of MHIC which owns or deals with the property. This includes real estate offered for sale at foreclosure auction.

### **902 Exceptions**

Employees or members of their immediate family may purchase property owned by MHIC only if:

- The employee is not directly involved in the area of MHIC which owns or deals with the property;

- The President approves the purchase in writing; and
- Fair value is paid for the property, as determined by (a) recent appraisal; (b) book value; (c) if the employee is the highest bidder at a commercially reasonable auction; and (d) if the employee is the highest of three bidders of a repossessed vehicle; and Records of such transaction are maintained by the Administration Department.

### **903 Trademarks**

Employees must not violate copyrights or trademarks owned by MHIC or any vendors to MHIC.

Any manual, video, software program, training materials, or other material which is owned by MHIC or is in MHIC's possession through a license agreement and is subject to copyright protection may not be photocopied or reproduced by any employee for sale or for use outside of MHIC. Photocopies or reproduction of copyrighted materials for use within MHIC are restricted by the terms of the license agreement and the copyright laws.

Trademarks on any material owned by MHIC or used by MHIC may not be used by employees in connection with other material.

If an employee needs to duplicate any copyrighted material or use a trademark, the Administration Department must be involved in determining whether duplication or use is permitted under the terms of the license agreement, copyright laws, or trademark laws.

## **10 Conduct and Personal Appearance**

### **1001 Representing MHIC**

The company expects employees to operate within the scope of their authority at all times when representing the company.

### **1002 Appropriate Behavior**

The company expects employees to exhibit professionalism at all times when representing MHIC or performing any other capacity of their duties. Employees are prohibited from engaging in any activity that is unethical, causes excessive (whether intentional or due to gross negligence) embarrassment to themselves or the company. Examples of prohibited behavior include the following:

- Being in an inebriated condition
- Being insubordinate to a superior in public
- Being disrespectful to a customer or colleague
- Disorderly conduct of any kind

## **11 Media Policy**

### **1101 MHIC Approved and Issued**

In order that public statements made on behalf of MHIC have the benefit of current corporate policy and management outlook, and in order to assure consistency in statements made to the public, all statements to various news media must be approved in writing, in advance by the Business Line Director or President. Each officer has the responsibility to give timely notice and advice to the President of any situation with respect to which there may be adverse publicity.

## **12 Lobbying**

### **1201 Monitoring of Legislation**

In order to stay informed of proposed federal and state legislation that may affect the business of MHIC, and to preserve MHIC's ability to comment thereon, the President will monitor all proposed federal and state legislation that may impact MHIC's business. The President will be responsible for coordinating and communicating MHIC's comments to the appropriate legislative representatives. No other MHIC employee other than the President and/or his/her designees may communicate via testimony or correspondence to any public officials or media on MHIC's behalf regarding any proposed legislation unless they have received the written permission of the President and/or his/her designee.

Moreover, the President and his/her designees will be responsible for positioning MHIC and its senior management on these issues with external business and civic organizations.

The President will distribute legislative material to applicable managers. Managers are encouraged to send their comments and questions to the President, who will coordinate these responses and formulate MHIC's official response.

**MHIC Consortium**

**NSP2 Application**

**Appendix 2**

**Leveraging Documentation**



Massachusetts  
Housing  
Investment  
Corporation

70 Federal Street  
Boston, MA 02110  
Tel: (617) 850-1000  
Fax: (617) 850-1100

Guilliaem Aertsen  
Chairman

Joseph L. Flatley  
President and CEO

July 12, 2009

Joseph L. Flatley, President & CEO  
Massachusetts Housing Investment Corporation  
70 Federal Street  
Boston, MA 02110

Dear Joe:

I am writing to confirm the commitment by the Massachusetts Neighborhood Stabilization Loan Fund to make available \$105 million in loans over the next three years, in support of your application for funding under the federal Neighborhood Stabilization Program 2 ("NSP2"). This commitment has been made possible by the fact that the Massachusetts Neighborhood Stabilization Loan Fund has secured capital totaling \$35 million, including specifically: \$1 million from the Massachusetts Affordable Housing Trust Fund as a top loss reserve; subordinate PRI loans of \$4 million from the Boston Foundation (\$2 million), Hyams Foundation (\$1 million), and Living Cities Catalyst Fund (\$1 million); and \$30 million in senior debt from the Massachusetts Housing Partnership Fund and the Massachusetts Housing Investment Corporation.

These loans will be made to acquire and rehabilitate foreclosed and abandoned properties in distressed urban neighborhoods throughout Massachusetts, for re-occupancy as affordable rental housing. Given the fact that the typical term of these loans will be 12 months or less, the \$35 million in secured capital will be adequate to provide loans totaling \$105 million over three years.

This commitment is contingent upon the receipt of adequate financial support under the federal NSP2 program to support the feasibility of the proposed loans.

Sincerely,

EUNICE M. HARPS  
*Director of Credit, MHIC, Manager  
Neighborhood Stabilization Loan Fund*

**MHIC Consortium**

**NSP2 Application**

**Appendix 3**

**Signed Certifications**



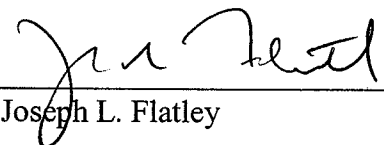
### 3. CERTIFICATIONS

- (1) **Affirmatively further fair housing.** The applicant certifies that it will affirmatively further fair housing, which means that it will affirmatively market NSP2 assisted units and carry out NSP2 activities that further fair housing through innovative housing design or construction to increase access to persons with disabilities, language assistance services to persons with limited English proficiency (on the basis of national origin), or location or new or rehabilitated housing in a manner that provides greater housing choice or mobility for persons in classes protected by the Fair Housing Act, and maintain records reflecting the analysis and actions in this regard.
- (2) **Anti-lobbying.** The Applicant must submit a certification with regard to compliance with restrictions on lobbying required by 24 CFR part 87, together with disclosure forms, if required by that part.
- (3) **Authority of applicant.** The applicant certifies that it possesses the legal authority to carry out the programs for which it is seeking funding in accordance with applicable HUD regulations and other program requirements.
- (4) **Acquisition and relocation.** The applicant certifies that it will comply with the acquisition and relocation requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended (24 U.S.C. 4601), and implementing regulations at 49 CFR part 24, except as those provisions are modified by the notice for the NSP2 program published by HUD.
- (5) **Section 3.** The applicant certifies that it will comply with section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u), and implementing regulations at 24 CFR part 135.
- (6) **Citizen participation.** The applicant certifies that it is carrying out citizen participation in accordance with NSP2 requirements.
- (7) **Use of funds.** The applicant certifies that it will comply with Title III of Division B of the Housing and Economic Recovery Act of 2008, as modified by the American Reinvestment and Recovery Act by expending 50 percent of its grant funds within 2 years and expending 100 percent within 3 years of receipt of the grant.
- (8) **The applicant certifies:** a. that all of the NSP2 funds made available to it will be used with respect to individuals and families whose incomes do not exceed 120 percent of area median income; and b. the applicant will not attempt to recover any capital costs of public improvements assisted with CDBG funds by assessing any amount against properties owned and occupied by persons of low- and moderate-income, including any fee charged or assessment made as a condition of obtaining access to such public improvements. However, if NSP funds are used to pay the proportion of a fee or assessment attributable to the capital costs of public improvements (assisted in part with NSP funds) financed from other revenue sources, an assessment or charge may be made against the property with respect to

public improvements financed by a source other than CDBG funds. In addition, with respect to properties owned and occupied by moderate-income (but not low-income) families, as assessment or charge may be made against the property with respect to public improvements financed by a source other than NSP funds if the applicant certifies that it lacks NSP or CDBG funds to cover the assessment.

- (9) **Compliance with anti-discrimination laws.** The applicant certifies that the NSP grant will be conducted and administered in conformity with the title VI of the Civil Right Act of 1964 (42 U.S.C. 2000d), the Fair Housing Act (42 U.S.C. 3601-3619), and implementing regulations.
- (10) **Compliance with lead-based paint procedures.** The applicant certifies that its activities concerning lead-based paint will comply with the requirements of 24 CFR part 35, subparts A, B, J, K and R.
- (11) **Compliance with laws.** The applicant certifies that it will comply with applicable laws.

Massachusetts Housing Investment Corporation

By:   
Joseph L. Flatley

Its: President and CEO

Date: July 15, 2009

**MHIC Consortium**

**NSP2 Application**

**Appendix 4**

**Calculation of Removal of Negative Effects**

**NOT APPLICABLE**

# **MHIC Consortium**

## **NSP2 Application**

### **Appendix 5**

#### **Summary of Citizen Comments**

#### **URL Where Plan is Located**

[www.mhic.com/NSLF.cfm?Page=NSLF&LIMarginLft=0&MainMenu=About&SubMenu1=none&SubMenu2=none&SubMenu3=none&Bio=none&InheritLinkLocation=xAbout&Inherit=2&PageDisplayOrder=3&LinkTopBarDisplayName=Neighborhood%20Stabilization%20Loan%20Fund](http://www.mhic.com/NSLF.cfm?Page=NSLF&LIMarginLft=0&MainMenu=About&SubMenu1=none&SubMenu2=none&SubMenu3=none&Bio=none&InheritLinkLocation=xAbout&Inherit=2&PageDisplayOrder=3&LinkTopBarDisplayName=Neighborhood%20Stabilization%20Loan%20Fund)

and

[http://www.mhp.net/vision/news.php?page\\_function=detail&mhp\\_news\\_id=280](http://www.mhp.net/vision/news.php?page_function=detail&mhp_news_id=280)

# Instructions for Paper Submission of Threshold Elements

The foreclosure need map is working well and many applicants have already received their unique application numbers from the system. However, some applicants are experiencing difficulty completing the online submission or completing it in a timely manner. In accordance with the General Section (III.A.3.b) of the NSP2 NOFA, HUD is providing these instructions for applicants that cannot complete the electronic submission of the threshold need and capacity elements.

## Step 1 - Affirm

To indicate that you have the ability to expend an NSP2 grant within the statutory deadlines, you must affirm here and then demonstrate in your paper submission that you have successfully carried out and completed activities relevant to each NSP2 activity you propose to carry out and involving at least 75 units of housing within the 24-month period immediately preceding May 4, 2009.

By signing this affirmation, you are making the Notice's required threshold affirmation which you must then submit to HUD with your paper application.

If you are using this alternative submission method, the unique application number that you must prominently display on your application is "NSP2-PTA" followed by your DUNS number.

Print, sign, and date the following affirmation:

## Affirmation

In accordance with section II.B.7. of the May 4, 2009, Notice of Fund Availability (NOFA) for the Neighborhood Stabilization Program 2 under the American Recovery and Reinvestment Act, I state that I am the official representative for an applicant for NSP2 funds and I affirm that the applicant has successfully carried out and completed activities 1) relevant to each NSP2 activity it proposes to carry out and 2) involving at least 75 units of housing within the 24-month period immediately preceding May 4, 2009.

Signed:



Date: 7/15/09

## Step 2 - Download, print, copy

Download the data for your proposed target geography from <http://www.huduser.org/nspgis/nsp.html> and create a spreadsheet containing only the data for your selected census tracts and including all columns in the same format and column order as the downloaded files. Print out the data and also copy it to a data CD. Submit both the paper print out and the data CD to HUD along with your paper submission.

CD in back pocket of binder

geoid	sta	cntyname	nforeclose	nvacancy	fordq_num	fordq_rate	vac_rate	num_mort_tract	pct_hchl	pct_hchl	oftheo_price_change	pct_unem_2004	unem_ch0708
25005613800	MA	Bristol County	17	19	68	16.5%	8.5%	415	25.6%	8.1%	19.1%	-11.0%	7.0%
25005613800	MA	Bristol County	18	94	94	17.8%	8.5%	531	28.8%	9.5%	22.1%	-11.0%	7.0%
25005613800	MA	Bristol County	19	15	164	14.4%	2.6%	1,139	25.8%	6.5%	15.7%	-11.0%	7.0%
25005614000	MA	Bristol County	17	81	164	16.7%	5.0%	483	26.1%	9.0%	19.1%	-11.0%	7.0%
25005614101	MA	Bristol County	19	12	171	13.7%	1.5%	1,245	22.2%	6.2%	13.2%	-11.0%	7.0%
25005640200	MA	Bristol County	15	19	69	13.8%	12.3%	501	30.1%	8.8%	14.5%	-11.0%	7.0%
25005640600	MA	Bristol County	14	19	51	12.6%	11.7%	404	34.2%	6.8%	14.5%	-11.0%	7.0%
25005640800	MA	Bristol County	13	18	50	11.6%	7.8%	434	31.0%	4.3%	13.0%	-11.0%	7.0%
25005640900	MA	Bristol County	16	19	81	14.7%	10.1%	549	30.1%	8.1%	16.9%	-11.0%	7.0%
25005641200	MA	Bristol County	16	19	26	14.5%	9.1%	177	25.9%	17.0%	8.9%	-11.0%	7.0%
25005641400	MA	Bristol County	19	19	35	20.0%	7.4%	175	25.3%	15.8%	21.2%	-11.0%	7.0%
25005641900	MA	Bristol County	16	19	38	15.1%	10.4%	251	21.5%	9.6%	13.6%	-11.0%	7.0%
25005642200	MA	Bristol County	13	16	50	5.2%	11.3%	441	26.1%	4.8%	10.4%	-11.0%	7.0%
25005650700	MA	Bristol County	18	20	31	18.6%	13.6%	166	20.7%	14.1%	17.8%	-11.0%	7.0%
25005650800	MA	Bristol County	18	17	50	17.8%	4.9%	278	28.9%	9.6%	22.1%	-11.0%	7.0%
25005651100	MA	Bristol County	19	18	113	19.7%	5.9%	575	21.0%	11.6%	22.0%	-11.0%	7.0%
25005651200	MA	Bristol County	19	19	31	22.2%	7.8%	140	15.2%	21.6%	18.4%	-11.0%	7.0%
25005651300	MA	Bristol County	18	19	52	18.0%	10.3%	290	23.0%	12.1%	18.8%	-11.0%	7.0%
25005651400	MA	Bristol County	18	17	100	18.7%	4.3%	535	20.3%	9.2%	21.1%	-11.0%	7.0%
25005651500	MA	Bristol County	18	11	95	17.8%	1.2%	531	25.2%	11.7%	19.3%	-11.0%	7.0%
25005651600	MA	Bristol County	18	13	138	18.0%	2.0%	765	22.2%	9.7%	19.3%	-11.0%	7.0%
25005651700	MA	Bristol County	19	16	52	22.0%	3.7%	236	20.6%	12.6%	26.0%	-11.0%	7.0%
25005652600	MA	Bristol County	18	18	38	17.6%	7.1%	150	22.1%	11.0%	24.3%	-11.0%	7.0%
25005652700	MA	Bristol County	17	18	55	16.3%	6.5%	218	26.3%	10.3%	20.1%	-11.0%	7.0%
25009205500	MA	Essex County	16	15	97	14.7%	3.2%	335	29.4%	13.0%	16.7%	-11.0%	7.0%
25009206200	MA	Essex County	18	13	109	17.8%	1.9%	661	31.0%	7.3%	19.9%	-8.9%	5.6%
25009206300	MA	Essex County	17	13	112	16.8%	2.0%	665	32.5%	8.0%	26.1%	-8.9%	5.6%
25009206400	MA	Essex County	18	11	143	14.6%	1.0%	978	30.9%	6.6%	20.1%	-8.9%	5.6%
25009207100	MA	Essex County	18	13	70	17.1%	2.0%	411	34.9%	6.5%	26.4%	-8.9%	5.6%
25009250200	MA	Essex County	18	15	144	17.4%	2.7%	827	32.7%	5.2%	27.2%	-8.9%	5.6%
25009250300	MA	Essex County	18	14	48	19.0%	2.6%	254	34.1%	9.0%	28.3%	-8.9%	5.6%
25009250500	MA	Essex County	19	10	80	19.8%	0.7%	405	34.8%	7.6%	31.2%	-8.9%	5.6%
25009250600	MA	Essex County	19	16	149	20.2%	3.2%	741	31.4%	6.9%	31.1%	-8.9%	5.6%
25009250700	MA	Essex County	19	13	109	20.0%	1.9%	545	35.1%	7.6%	31.5%	-8.9%	5.6%
25009250800	MA	Essex County	19	12	204	19.0%	1.4%	1,075	27.0%	9.0%	25.7%	-8.9%	5.6%
25009250900	MA	Essex County	20	11	38	23.8%	1.1%	160	21.0%	9.5%	35.0%	-8.9%	5.6%
25009251000	MA	Essex County	19	11	26	20.5%	1.2%	125	21.3%	7.4%	27.8%	-8.9%	5.6%
25009251100	MA	Essex County	20	16	62	33.3%	3.7%	187	18.3%	8.6%	51.4%	-8.9%	5.6%
25009251400	MA	Essex County	19	11	129	19.3%	1.3%	655	33.7%	6.2%	31.5%	-8.9%	5.6%
25009251500	MA	Essex County	19	12	122	19.7%	1.1%	631	29.5%	9.9%	26.6%	-8.9%	5.6%
25013800100	MA	Hampden County	19	18	190	18.9%	5.7%	1,006	11.8%	19.2%	16.2%	-5.8%	6.4%
25013800201	MA	Hampden County	19	13	211	18.8%	1.7%	1,125	9.4%	19.5%	14.8%	-5.8%	6.4%
25013800202	MA	Hampden County	19	11	50	20.3%	1.0%	246	10.2%	24.8%	17.8%	-5.8%	6.4%
25013800300	MA	Hampden County	19	11	180	19.8%	0.9%	909	10.1%	18.5%	14.8%	-5.8%	6.4%
25013800400	MA	Hampden County	20	15	230	22.5%	2.5%	1,023	12.4%	20.6%	22.8%	-5.8%	6.4%
25013800500	MA	Hampden County	19	17	110	21.6%	4.5%	510	9.3%	20.2%	20.2%	-5.8%	6.4%
25013800600	MA	Hampden County	20	16	54	30.1%	3.7%	179	5.0%	33.1%	27.5%	-5.8%	6.4%
25013800700	MA	Hampden County	20	12	54	24.8%	1.2%	220	8.6%	26.8%	22.0%	-5.8%	6.4%
25013800800	MA	Hampden County	20	12	24	28.9%	1.3%	82	6.5%	32.5%	26.0%	-5.8%	6.4%
25013800900	MA	Hampden County	20	16	71	28.1%	3.6%	252	6.6%	31.5%	24.9%	-5.8%	6.4%
25013801200	MA	Hampden County	19	17	15	20.7%	4.1%	73	6.2%	18.5%	18.5%	-5.8%	6.4%
25013801300	MA	Hampden County	20	18	140	24.9%	5.8%	562	6.5%	32.1%	18.0%	-5.8%	6.4%
25013801401	MA	Hampden County	20	18	117	26.8%	6.5%	436	6.3%	35.0%	19.8%	-5.8%	6.4%
25013801402	MA	Hampden County	19	13	93	22.2%	1.6%	418	8.3%	26.1%	17.0%	-5.8%	6.4%

geoid	sta	cntname	nforeclose	nvacancy	fordq_num	fordq_rate	vac_rate	num_mort	tract	pct_lchl	pct_hchl	ofseo_price_change	pct_unem	2006_unem	ch0708
25013801501	MA	Hampden County	20	12	241	22.0%	1.1%	1,095		9.2%	21.9%	19.8%	-5.8%	6.4%	0.9%
25013801502	MA	Hampden County	19	13	122	21.5%	1.0%	568		8.7%	21.3%	18.9%	-5.8%	6.4%	0.9%
25013801503	MA	Hampden County	19	11	160	21.1%	1.8%	757		9.4%	19.7%	19.6%	-5.8%	6.4%	0.9%
25013801700	MA	Hampden County	20	19	190	25.8%	7.9%	735		7.4%	31.0%	20.9%	-5.8%	6.4%	0.9%
25013801800	MA	Hampden County	20	20	165	29.0%	11.1%	569		5.6%	38.5%	21.7%	-5.8%	6.4%	0.9%
25013801900	MA	Hampden County	20	18	146	25.3%	5.6%	577		7.7%	28.4%	21.7%	-5.8%	6.4%	0.9%
25013802000	MA	Hampden County	20	16	44	24.4%	3.3%	181		9.9%	24.1%	23.5%	-5.8%	6.4%	0.9%
25013802100	MA	Hampden County	19	18	137	19.6%	6.6%	702		10.7%	17.7%	18.2%	-5.8%	6.4%	0.9%
25013802200	MA	Hampden County	20	19	97	24.4%	7.4%	396		10.8%	23.8%	24.0%	-5.8%	6.4%	0.9%
25013802300	MA	Hampden County	20	18	215	24.2%	4.9%	890		10.6%	25.2%	22.6%	-5.8%	6.4%	0.9%
25013802801	MA	Hampden County	19	16	224	19.4%	3.8%	1,151		10.5%	18.2%	17.5%	-5.8%	6.4%	0.9%
25013811800	MA	Hampden County	18	15	79	18.5%	3.0%	429		13.0%	18.2%	16.5%	-5.8%	6.4%	0.9%
25013812102	MA	Hampden County	18	13	129	17.1%	2.0%	757		9.8%	15.5%	14.2%	-5.8%	6.4%	0.9%
25017310400	MA	Middlesex County	17	7	79	16.4%	0.2%	484		22.1%	10.4%	21.7%	-6.2%	4.3%	0.8%
25017310700	MA	Middlesex County	18	9	76	17.8%	0.5%	428		20.7%	9.6%	24.5%	-6.2%	4.3%	0.8%
25017311100	MA	Middlesex County	17	11	28	15.6%	1.2%	178		22.7%	8.0%	22.1%	-6.2%	4.3%	0.8%
25017311200	MA	Middlesex County	17	16	60	16.0%	4.3%	373		27.6%	10.5%	23.0%	-6.2%	4.3%	0.8%
25023510200	MA	Plymouth County	19	17	199	16.9%	4.7%	1,177		23.8%	7.1%	21.5%	-7.9%	5.6%	0.8%
25023510300	MA	Plymouth County	19	12	91	19.4%	1.4%	466		32.4%	6.6%	29.8%	-7.9%	5.6%	0.8%
25023510400	MA	Plymouth County	20	17	147	23.3%	3.9%	629		27.8%	8.7%	34.3%	-7.9%	5.6%	0.8%
25023510502	MA	Plymouth County	19	11	171	18.6%	1.1%	921		17.3%	13.1%	18.5%	-7.9%	5.6%	0.8%
25023510700	MA	Plymouth County	19	13	214	18.1%	1.9%	1,184		25.0%	8.7%	23.2%	-7.9%	5.6%	0.8%
25023510800	MA	Plymouth County	20	19	209	22.8%	7.5%	917		27.6%	10.7%	31.8%	-7.9%	5.6%	0.8%
25023511000	MA	Plymouth County	20	17	90	15.9%	5.0%	565		29.2%	7.8%	21.0%	-7.9%	5.6%	0.8%
25023511100	MA	Plymouth County	20	13	247	17.9%	1.5%	1,382		25.2%	7.5%	23.7%	-7.9%	5.6%	0.8%
25023511301	MA	Plymouth County	19	15	182	18.6%	2.9%	980		29.3%	8.1%	26.1%	-7.9%	5.6%	0.8%
25023511500	MA	Plymouth County	19	19	805	20.3%	9.3%	805		28.2%	8.6%	28.7%	-7.9%	5.6%	0.8%
25023511600	MA	Plymouth County	19	16	214	17.2%	3.9%	1,249		29.4%	7.3%	23.9%	-7.9%	5.6%	0.8%
25025050600	MA	Suffolk County	16	16	31	14.9%	4.2%	209		28.6%	7.0%	19.5%	-7.9%	5.2%	0.7%
25025050900	MA	Suffolk County	17	15	72	16.1%	2.9%	448		35.5%	7.4%	23.8%	-7.9%	5.2%	0.7%
25025080100	MA	Suffolk County	19	19	30	19.3%	9.3%	156		29.4%	12.5%	24.3%	-7.9%	5.2%	0.7%
25025080300	MA	Suffolk County	18	17	26	16.8%	4.6%	156		30.8%	7.0%	23.8%	-7.9%	5.2%	0.7%
25025081500	MA	Suffolk County	16	17	39	15.1%	5.6%	262		28.5%	8.4%	18.1%	-7.9%	5.2%	0.7%
25025081800	MA	Suffolk County	19	19	76	20.6%	8.1%	367		28.4%	9.9%	28.1%	-7.9%	5.2%	0.7%
25025082000	MA	Suffolk County	17	19	47	16.4%	8.1%	286		31.5%	5.8%	24.1%	-7.9%	5.2%	0.7%
25025082100	MA	Suffolk County	19	16	37	21.5%	3.6%	172		25.2%	8.6%	29.4%	-7.9%	5.2%	0.7%
25025090100	MA	Suffolk County	115	18	42	24.5%	5.3%	470		26.9%	8.0%	36.1%	-7.9%	5.2%	0.7%
25025090200	MA	Suffolk County	20	18	55	22.4%	6.0%	171		25.2%	12.9%	31.9%	-7.9%	5.2%	0.7%
25025090300	MA	Suffolk County	19	19	244	17.9%	7.9%	244		27.6%	5.6%	34.1%	-7.9%	5.2%	0.7%
25025090400	MA	Suffolk County	19	19	71	19.2%	9.7%	371		31.3%	9.5%	26.8%	-7.9%	5.2%	0.7%
25025091300	MA	Suffolk County	18	18	36	17.9%	6.7%	199		34.1%	9.2%	25.4%	-7.9%	5.2%	0.7%
25025091400	MA	Suffolk County	18	17	36	17.5%	5.2%	208		33.2%	9.3%	24.4%	-7.9%	5.2%	0.7%
25025091500	MA	Suffolk County	18	15	56	18.6%	3.2%	301		23.7%	7.4%	26.4%	-7.9%	5.2%	0.7%
25025091600	MA	Suffolk County	19	17	117	19.0%	4.5%	614		28.2%	7.8%	26.4%	-7.9%	5.2%	0.7%
25025091700	MA	Suffolk County	15	16	62	13.7%	4.1%	455		34.2%	8.1%	18.5%	-7.9%	5.2%	0.7%
25025091800	MA	Suffolk County	18	18	79	18.8%	6.6%	420		36.3%	7.2%	29.4%	-7.9%	5.2%	0.7%
25025091900	MA	Suffolk County	17	18	73	16.4%	5.8%	445		39.3%	7.5%	25.8%	-7.9%	5.2%	0.7%
25025092000	MA	Suffolk County	19	18	106	22.0%	6.2%	482		29.2%	7.2%	32.8%	-7.9%	5.2%	0.7%
25025092300	MA	Suffolk County	18	19	101	18.2%	7.8%	554		36.7%	6.2%	29.1%	-7.9%	5.2%	0.7%
25025092400	MA	Suffolk County	19	18	90	20.4%	6.4%	443		34.0%	6.9%	31.7%	-7.9%	5.2%	0.7%
25025100200	MA	Suffolk County	20	17	113	24.2%	4.2%	469		31.3%	6.1%	38.4%	-7.9%	5.2%	0.7%
25025100300	MA	Suffolk County	19	19	84	20.2%	7.6%	383		26.6%	7.6%	31.4%	-7.9%	5.2%	0.7%
25025100500	MA	Suffolk County	18	18	109	16.9%	5.5%	540		31.8%	5.9%	31.2%	-7.9%	5.2%	0.7%
25025101001	MA	Suffolk County	16	16	146	19.0%	3.5%	865		28.2%	10.6%	20.6%	-7.9%	5.2%	0.7%
25025101001	MA	Suffolk County	13	13	160	19.0%	1.8%	840		29.5%	6.3%	27.9%	-7.9%	5.2%	0.7%

geoid	sta	cntyname	nforeclose	nvacancy	fordq_num	fordq_rate	vac_rate	num_mort_fract	pct_lchl	pct_hchl	ofheo_price_change	pct_unem_2008	unem_ch0708
25025101002	MA	Suffolk County	19	14	106	19.2%	2.2%	554	30.1%	5.8%	28.8%	5.2%	0.7%
25025101101	MA	Suffolk County	18	14	76	18.4%	2.6%	410	38.0%	8.7%	28.2%	5.2%	0.7%
25025101102	MA	Suffolk County	19	16	98	20.7%	3.2%	471	30.9%	7.3%	30.9%	5.2%	0.7%
25025140300	MA	Suffolk County	18	12	149	15.4%	1.5%	971	35.3%	5.1%	24.0%	5.2%	0.7%
25025140400	MA	Suffolk County	20	14	233	16.6%	2.1%	1,402	28.5%	7.3%	22.3%	5.2%	0.7%
25025160100	MA	Suffolk County	16	12	100	14.1%	1.6%	705	35.5%	6.2%	21.0%	5.2%	0.7%
25025160400	MA	Suffolk County	16	13	29	14.3%	2.0%	205	32.2%	8.5%	18.6%	5.2%	0.7%
25025160500	MA	Suffolk County	19	13	183	15.7%	1.7%	1,166	29.7%	6.3%	21.8%	5.2%	0.7%
25025170100	MA	Suffolk County	18	12	148	13.2%	1.5%	1,122	34.8%	4.4%	20.2%	5.2%	0.7%
25025170600	MA	Suffolk County	17	12	125	15.6%	1.3%	797	33.8%	4.1%	24.7%	5.2%	0.7%
25025170700	MA	Suffolk County	17	14	127	13.3%	2.6%	961	33.8%	5.9%	19.0%	5.2%	0.7%
25027710500	MA	Worcester County	18	19	68	18.7%	9.0%	361	19.9%	14.5%	20.5%	5.8%	0.9%
25027710600	MA	Worcester County	19	19	178	17.4%	7.8%	1,020	16.8%	12.4%	18.0%	5.8%	0.9%
25027710700	MA	Worcester County	17	20	25	16.8%	16.8%	148	17.7%	16.9%	-10.0%	5.8%	0.9%
25027710800	MA	Worcester County	18	20	119	18.8%	11.0%	635	13.8%	13.0%	-10.0%	5.8%	0.9%
25027711000	MA	Worcester County	17	19	73	16.0%	9.3%	457	18.1%	12.5%	-10.0%	5.8%	0.9%
25027730402	MA	Worcester County	17	17	44	16.3%	5.5%	271	25.4%	7.3%	22.2%	5.8%	0.9%
25027730700	MA	Worcester County	19	11	165	12.0%	1.0%	1,378	20.1%	7.4%	-10.0%	5.8%	0.9%
25027731000	MA	Worcester County	20	11	226	15.8%	0.9%	1,434	17.9%	9.2%	17.1%	5.8%	0.9%
25027731201	MA	Worcester County	19	14	109	19.4%	2.4%	562	23.8%	10.6%	25.9%	5.8%	0.9%
25027731300	MA	Worcester County	20	19	68	23.1%	6.7%	296	20.6%	16.3%	-10.0%	5.8%	0.9%
25027731400	MA	Worcester County	19	17	64	21.4%	5.1%	300	24.0%	13.1%	-10.0%	5.8%	0.9%
25027731500	MA	Worcester County	19	18	68	19.9%	6.2%	344	24.0%	13.0%	-10.0%	5.8%	0.9%
25027731800	MA	Worcester County	18	16	100	18.5%	4.2%	540	13.7%	14.3%	-10.0%	5.8%	0.9%
25027731900	MA	Worcester County	20	19	160	23.1%	7.2%	695	19.6%	16.3%	-10.0%	5.8%	0.9%
25027732001	MA	Worcester County	20	11	13	25.3%	1.0%	51	18.8%	18.8%	-10.0%	5.8%	0.9%
25027732300	MA	Worcester County	19	14	179	13.3%	2.5%	1,341	20.0%	8.6%	12.9%	5.8%	0.9%
25027732400	MA	Worcester County	19	19	140	19.1%	9.4%	736	25.0%	10.2%	-10.0%	5.8%	0.9%
25027732500	MA	Worcester County	20	19	49	26.0%	6.7%	187	22.2%	16.5%	-10.0%	5.8%	0.9%
25027732600	MA	Worcester County	18	16	76	18.3%	3.5%	415	22.1%	11.2%	-10.0%	5.8%	0.9%
25027732700	MA	Worcester County	18	16	75	18.6%	3.4%	405	20.6%	14.2%	-10.0%	5.8%	0.9%
25027733000	MA	Worcester County	19	17	108	21.1%	4.2%	513	16.8%	12.1%	-10.0%	5.8%	0.9%



## **MHIC Consortium**

### **NSP2 Application**

#### **Appendix 5**

#### **Summary of Citizen Comments**

#### **URL Where Plan is Located**

<http://www.mhic.com/NSLF.cfm?Page=NSLF&LIMarginLft=25&MainMenu=&SubMenu1=none&SubMenu2=none&SubMenu3=none&Bio=&InheritLinkLocation=xHome&Inherit=2&PageDisplayOrder=3&LinkTopBarDisplayName=Neighborhood%20Stabilization%20Loan%20Fund>

Comments of Massachusetts Association of Community Development Corporations (MACDC) -- MACDC expressed strong support for the MHIC Consortium's \$59 million NSP2 request and the Consortium's target geography. MACDC noted that subsidy levels for NSLF properties may need to be more than \$100,000 per unit in order to achieve neighborhood transformation. MACDC also encouraged MHIC to consider larger multifamily buildings (e.g. 5-12 units) for NSLF and NSP2 funding. Finally, MACDC encouraged NSP2 funds, although provided as loans, to be more similar to grants such that repayment would not be required so long as affordability and other requirements are satisfied.

Comments of Massachusetts Law Reform Institute (MLRI) – MLRI suggested that the MHIC Consortium activities target more funds than the minimum 25% to households at or below 50% of AMI including the neediest households at or below 30% AMI. MLRI suggested that MHIC coordinate with other resources, specifically Low-Income Housing Tax Credits and Section 8 subsidies, to maximize benefits to families that need the most help. MLRI suggested partnerships with public housing authorities and an admission policy that would ensure that no less than 25% of the units are occupied by persons with Section 8 vouchers. MLRI asked that the proposal identify the mechanisms that will be employed to ensure long-term affordability for NSP2-funded housing. MLRI urged that housing occupied by tenants and former homeowners be prioritized for assistance. MLRI asked that more specifics be provided regarding how NSP2 funds will be used to further fair housing. MLRI requested that the proposal provide more information if any properties will be demolished, including why demolition would be selected over preservation and advised that a anti-displacement and relocation plan must be developed.

Comments of Planning Office for Urban Affairs (POUA) – POUA urged that occupied properties, and not just vacant properties, be assisted by the MHIC Consortium with NSP2 funds.

All comments were taken into consideration in the preparation of the MHIC Consortium NSP2 proposal.