

Beacon Hill Byline – By Mary Rogeness

April 15, 1993

Helping thousands realize “The American Dream”

The first thing you should understand about this column is that it may not be directed to you. If you are reading the Longmeadow News, you most likely are sitting in your own home. But if you are like me, you know about the credit crunch and you know that houses are selling for very high prices. And you have wondered how anyone can buy that first home. I am writing today about a program targeted to first-time home buyers, those individuals and families who are saving for the down payment that will allow them to experience the American dream of home ownership.

The Middle Class American Dream program was developed by Massachusetts Treasurer Joe Malone to enable more of our citizens to become home owners. The program offers a new source of mortgage money for those who can meet certain criteria. It allows tenants to become owners with smaller down payments than are required for conventional bank mortgages.

A couple of acronyms explain the sources of funding. Freddie Mac is the Federal Home Loan Mortgage Corp., a vehicle which sells mortgage-backed securities to the Masters Trust. Masters Trust is the Massachusetts State Teachers and Employees Retirement System Trust, which has invested retirement funds in those mortgages. Freddie Mac worked with the treasurer's office to develop criteria for the program. Those criteria emphasize wide participation rather than the stringent underwriting standards in today's conventional market. Retirement dollars are thereby invested in home ownership for a new generation of workers.

These are some of the program guidelines. Household income for a Springfield area participant cannot exceed \$53,865. The standard down payment is 5 percent, contrasted with the norm of 10-20 percent. The percentage of monthly income that is applied to housing costs can exceed the usual limit. There is no requirement for household savings. Other conditions are available from participating lenders. Considering all of the relaxed requirements, it is probably a good thing that lenders provide counseling sessions to educate homebuyers on the obligations of ownership.

Banks and mortgage companies have been selected to review applications and approve those that meet program standards. The treasurer's office can supply a complete list, although that office is not a participant in the application process.

The American Dream did not require new legislation. And it did not create a new bureaucracy. Using the pension dollars from state workers and the structure of commercial lending institutions, the Treasury has found a way to help the Massachusetts economy while at the same time helping more citizens become homeowners. If you cannot benefit from the program, I hope you will mention it to someone who can.