

**MEMORANDUM**

To: Affordable Housing Trust
From: Chris Cotter, Housing Director
Anna Dolmatch, Senior Manager for Homeownership
Date: March 26, 2026
RE: HomeBridge Program Request for Program Modification and Recapitalization

The HomeBridge program provides financial assistance for eligible applicants to purchase homes on the open market. In exchange for this assistance, buyers sign an Affordable Housing Covenant and purchased homes become part of the permanently affordable stock. Since the initial launch as the Financial Assistance Program (FAP), 121 affordable units have been created.

In November 2023, the Trust approved changes to increase the percentage of the market purchase price eligible to be funded by HomeBridge subsidy. Since that time, demand for HomeBridge has remained strong, with more applications submitted than the Resale Pool. 2024 saw the third-highest number of purchases in program history; 2025 broke the record, with 16 purchases during the calendar year.

As the program expands, we are continually evaluating the policies and requirements to ensure that HomeBridge is effective at providing affordable homeownership opportunities for residents while using limited public subsidy funds responsibly. At this time, we would like to propose options for program changes for the Trust to consider.

Since 2006, HomeBridge has received \$31.2MM in CPA funds to serve households with incomes at or below 100% AMI. Since 2020, an additional \$10MM has been allocated from budget funds to expand HomeBridge to serve households with incomes between 100% and 120% AMI. While we continue to see some demand above 100% AMI, the large increases in area median income in recent years mean that most buyers are now under 100%.

The funds for the under-100% AMI tier have \$1.1MM remaining that is not yet committed to units under agreement, with an additional \$4.5MM estimated for buyers who have been approved but have not yet found a unit to purchase. We are currently reviewing an additional 14 applicants.

The Trust committed an additional \$10MM in November 2024; these funds are now almost fully expended. If usage continues at this rate, HomeBridge will continue to require similar recapitalizations every 18 months or so. The average funding per unit is currently more than \$500,000, and more than \$233,000 per bedroom.

In addition to rapid expenditures, high demand and low market inventory has led to approved buyers bidding on the same units, especially three-bedrooms. This is increasing overall costs and we have seen anecdotal evidence that HomeBridge could be driving the market, rather than responding to the market, for certain types of units, resulting in higher costs for buyers and the program.

We are also seeing increasing stress on the review and approval process with approvals taking longer given the high volume of applicants. HomeBridge applications are much more complex than applications for other programs because the approval is customized for each specific case. While we are continuing to improve the application process, the large number of applicants and buyers is straining the ability to provide a timely approval, and once approved, to review offers and units. We want to ensure that staff capacity is being used effectively.

In response to the current program environment, demand from applicants, and market conditions, we have considered and are proposing for discussion several options for strategic changes to HomeBridge to better align the program with the priorities and goals of the Trust:

- 1. Remove eligibility for non-Cambridge residents:** In 2015, the Trust approved an expansion of program eligibility to include households that work in Cambridge. At the time, the change was made in part to increase program production when an average of 2 units per year were being produced. Since that time, approximately 10% of buyers have been non-residents. However, we are now seeing a marked increase in applications from this group, with 25% of current applications in this category. Unlike other City housing programs, there are not preference tiers among approved applicants, so non-residents may get access to funds and units ahead of residents. We recommend that the program revert back to requiring current Cambridge residency, defined as living in Cambridge at the time of application to ensure resources are available for resident homebuyers.
- 2. Make eligibility more need-based:** In recent years, the area median income has increased, and we are now seeing more applicants with higher incomes and significant cash resources. These buyers may have market options but may choose to use HomeBridge to purchase a higher-price unit or have a lower payment. We have developed several recommendations to make the program more needs-based and address some longer-term concerns with these purchases.
 - A. Eliminate purchases with a high initial value:** In the past year we have seen a developing issue with higher-income, higher asset buyers with very high affordable purchase prices. Most of these buyers are in the over-100% AMI bracket, but not all. The affordable price for each buyer is determined by the combination of the applicant's minimum required mortgage amount (based on the required HomeBridge payment ratio; see below) and asset contribution before any HomeBridge subsidy. As income limits have increased, we are seeing more of these applicants. While they are eligible under the current program parameters, purchases at these high amounts raise multiple concerns.

While these buyers require less HomeBridge subsidy to purchase, reducing the amount of program funds needed up front, these units carry a future risk for the program. We have seen some previous sales and an increasing number of recent approvals with an affordable price of more than \$600,000. The costs are affordable to the buyer because they are required to make a significant asset contribution. However, at resale, the price for the next buyer must be affordable with the program's standard 3% down payment. In addition, the 2.5% resale formula raises the value of these higher-cost units substantially.

As we plan for future funding needs, we anticipate that these units will require a substantial additional funding investment to make them affordable through the Resale Pool. Given the finite resources for affordable housing and demands on the Resale Fund to preserve the stock of affordable homes over time, the use of funds to further subsidize the return on units purchased by a higher-income household to make them affordable upon resale may not be a priority. If funds were not available to write the prices down at resale, even with the current maximum price cap, units may be unaffordable for all but the highest-income eligible buyers.

We recommend setting a maximum affordable price for HomeBridge purchases at 120% of the affordable price based on a purchase at the maximum program market price, less the full HomeBridge subsidy. These limits would currently be:

- One bedroom \$401,400
- Two bedroom \$417,600
- Three bedroom \$462,000

B. Require higher minimum housing payments: The current HomeBridge program design allows buyers to have a housing payment between 25% and 33% of their gross monthly income. This was adopted to allow households some flexibility in housing costs; for example, a household with high childcare or student loan costs could target a purchase on the lower end, while another household could choose to stretch to purchase at a higher price.

In practice, lower-resourced homebuyers almost always need the highest housing payment to qualify for the maximum market price. In contrast, higher income and asset households more often pay only the minimum required to qualify for the same price, using HomeBridge subsidy to give them more disposable income.

We recommend raising the minimum required housing payment to 30% of gross monthly income for housing.

3. Set minimum purchase price requirements: HomeBridge is currently open to households earning a minimum of 60% AMI. The program was initially created to target households between 80% and 100% AMI, who had fewer options through the Resale Pool and lottery

offerings of new construction homeownership, but the program has always worked for some lower-income households. Under the current subsidy ratios, around 22% of buyers earn less than 80%, with less than 10% under 70% AMI.

However, we frequently see applicants who are within the minimum income and asset requirements who are approved with a maximum market purchase price that is not feasible in the current market. Prior to issuing an approval letter, Housing staff meet with these households and explain that it will be difficult to make the program work with their numbers, and steps they can take to get into a stronger position for the future, as well as other homeownership options that will be more affordable, such as lotteries and the Resale Pool. However, many of these households want to move forward with an approval even if it unlikely they will be able to purchase with HomeBridge assistance. This results in funds tied up in commitments that are not going to be used, leaving applicants frustrated that they cannot find a home that meets their needs and HomeBridge guidelines.

We recommend adding a requirement that applicants must be able to qualify to purchase a unit at no less than 90% of the current program maximum market price to be eligible.

- 4. Approval time limits:** Currently, HomeBridge approvals have an initial four-month term. Approved applicants can recertify before the end of that term and receive a two-month extension. There are households who recertify and reapply repeatedly, resulting in multi-year HomeBridge approvals. While there are times of year when the real estate market is very quiet, repeat HomeBridge applicants are typically looking for a housing option that the program and the Cambridge housing market cannot provide, such as a single-family home.

These repeat approvals allow applicants to hold the HomeBridge funding commitments without having to take any steps towards using the approval. To ensure that funds are serving households who are likely to use them to create an affordable unit, we recommend the following:

- Maintain the initial four-month approval term;
- Approved applicants may apply for one recertification for an additional four-month term extension;
- After the end of the extended term, applicants must wait twelve months before submitting a full new application;
- Applicants who have a unit under agreement prior to the end of the extended term, but have not completed the purchase, remain eligible for an additional extension to complete the purchase of the unit under agreement.

- 5. Asset contribution requirement:** Currently, HomeBridge requires buyers to contribute all their liquid assets of more than \$40,000, with a limit of \$80,000 for households where all adult members are over 62 or disabled. This number has not changed since 2011. We recommend raising the liquid asset limit to \$50,000, or \$100,000 for households where all adult members are over 62 or disabled. This will give buyers the ability to maintain stronger cash reserves after paying closing costs and moving expenses.

Recapitalization

In addition to the above policy changes, we are requesting an additional \$10,000,000 in funds to recapitalize the HomeBridge program for households earning up to 100% AMI. At the current average of approximately \$500,000 per unit, we estimate this will serve around 20 additional buyers.

Recommendations:

We recommend that the Trust approve the following changes and funding request for the HomeBridge program as described above:

1. Limit eligibility for HomeBridge to current Cambridge residents, defined as having their only permanent residence in Cambridge at the time of application and when receiving funding; and
2. Require that the maximum HomeBridge affordable purchase price is no more than 120% of the affordable price at the maximum HomeBridge subsidy and market purchase price for that unit size (by bedroom) at the time of application. Applicants whose minimum affordable purchase price exceeds that number will not be eligible for HomeBridge funding; and
3. Increase the minimum required housing payment to 30% of gross household income; and
4. Require that applicants must qualify for a minimum market purchase price (funded by buyer mortgage, asset contribution, and HomeBridge subsidy) of at least 90% of the current maximum HomeBridge purchase price for the unit size (by bedroom) they are eligible for. Applicants who do not meet this minimum market purchase price will not be eligible for HomeBridge funding; and
5. Limit HomeBridge approvals to an initial four-month period with the option to extend for another four months, after which there is a twelve-month waiting period before another application can be submitted, with a limited additional extension available only to buyers with units subject to purchase contracts executed prior to the expiration of the approval period, if acceptable to staff; and
6. Increase the liquid asset retention threshold to \$50,000, or \$100,000 for households where all adult members are over 62 or disabled; and
7. Allocate \$10,000,000 in funding to recapitalize the HomeBridge program for households earning up to 100% of AMI.