



GLOSSARY OF AFFORDABLE HOUSING TERMS

Accessory Apartment - A secondary dwelling unit created within or as an extension of an existing dwelling that contains separate bath and kitchen facilities.

Acquisition-Rehab Program - A colloquial term for program, usually run by a nonprofit group or local government, that purchases abandoned or substandard properties, repairs them and sells them to lower income homebuyers.

Adaptive Reuse - The conversion of nonresidential properties such as mills, schools, hospitals, military bases, motels, warehouses, office buildings, etc. into residential or mixed uses.

Affordable Housing - Housing that costs no more than 30% of a household's income is considered to be "affordable" for that household. More specifically, "affordable housing" meets this 30% standard for low-income households (i.e., households earning below 80% of the area median income). For owners, housing costs include principal, interest, property taxes, and hazard insurance. For renters, costs include rent and tenant-paid utilities (except telephone and cable).

Affordable Housing Fund - A subsidy funding program of the Federal Home Loan Bank Board, the official governing body that oversees savings and loan institutions.

Amortization - The gradual repayment of a mortgage by installments.

Amortizing Loan - A loan for which equal payments are due on a regular periodic basis, usually monthly. The payments include varying amounts of principal and interest. These are sometimes called "level payment" loans, as opposed to deferred payment loans due only on resale or loans repaid with unequal periodic payments of principal and interest.

Area Median Income (AMI) - The estimated median income, adjusted for family size, by metropolitan area (or county, in nonmetropolitan areas). AMI is updated annually by the US Department of Housing and Urban Development (HUD) and used as the basis of eligibility for most housing assistance programs. www.huduser.org

Brownfields - An abandoned, idled, or underused property where expansion or redevelopment is complicated by real or perceived contamination. Brownfield sites include abandoned factories and other industrial facilities, gasoline stations, oil storage facilities, dry cleaning stores, and other businesses that formerly dealt with polluting substances. Information about the state's brownfields redevelopment fund can be found at: www.massdevelopment.com

Capitalize or Capitalization - Has several meanings as used in the low-income housing industry. The most common is "capitalizing a loan fund," i.e. raising grants or low-interest loans for a fund from which loans are made to third parties. In real estate development, the term can also mean characterizing certain expenses such as loan interest and professional fees as capital costs, not ordinary operating expenses.

Chapter 40B - The state's Comprehensive Permit law, enacted in 1969, established an affordable housing goal of 10% for every community. In communities below the 10% goal, developers of low and moderate income housing can seek an expedited local review under the comprehensive permit process and can request a limited waiver of local zoning and other restrictions which hamper construction of affordable housing. Developers can appeal to the state if their application is denied or approved with conditions that render it uneconomic and the state can overturn the local decision if it finds it unreasonable in light of the need for affordable housing. (Chapter 774 of the Acts of 1969;

M.G.L.c.40B§20-23).

Chapter 40R - Also known as the Smart Growth Zoning Overlay District Act (Chapter 149 of the Acts of 2004), M.G.L. Chapter 40R encourages communities through financial incentives to create dense residential or mixed-use smart growth zoning districts which include a high percentage of affordable housing units, located near transit stations and/or in areas of concentrated development such as existing city and town centers.

CHDO - Pronounced CHO-DOE. A HUD term for a Community-Based Housing Development Organization in relation only to the federal HOME program (see "HOME"). HOME reserves 15% of its funds for CHDOs. A CHDO must have on its board at least one-third low-income people, their specially elected representatives, or residents of low-income census tracts. CHDO Entitlement - The amount of money a city, state or urban county gets annually from HUD based on a formula through the Community Development Block Grant program.

Closing - The occasion where the sale of real estate and/or the making of a loan is finalized. Sometimes called "settlement."

Community Development - A term broadly used to describe any efforts to improve housing, infrastructure, education, social services and employment in lower income areas.

Community Development Block Grant (CDBG) - Created by the Housing and Community Development Act of 1974. The Community Development Block Grant (CDBG) program is a federal program that provides communities with resources to address a wide range of unique community development needs. The Department of Housing and Urban Development (HUD) provides funding either directly to larger municipalities designated as entitlement communities or through the Massachusetts Department of Housing and Community Development's CDBG program.

Community Development Corporation (CDC) - A loosely defined term for a nonprofit organization that undertakes commercial or residential real estate development. It usually, but not always, indicates some targeting of efforts to a low-income neighborhood.

Community Land Trust - A form of ownership similar to a condominium in that each household owns an individual unit but not the land beneath it. However, in a community land trust, the common areas and land are owned by a non-profit, community-based corporation. Because land values are controlled and this is a limited-equity form of ownership, it maintains long-term affordability.

Community Preservation Act (CPA)/ Chapter 44B - The Community Preservation Act Enabling Legislation (Chapter 267 of the Acts of 2000). Allows communities, at local option, to establish a Community Preservation Fund to preserve open space, historic resources and community housing, by imposing a surcharge of up to 3% on local property taxes. The state provides matching funds from its own Community Preservation Trust Fund, generated from an increase in certain Registry of Deed's fees. The Community Preservation Coalition (CPC) works with communities, and advocates and supports the passage of CPA. www.communitypreservation.org

Condominium - A form of ownership in which individuals own a unit of housing in a multi-unit complex. The individual owners also jointly own and share financial responsibility for the common areas in the complex

Congregate Housing - Housing accommodation that offers separate rooms or apartments but provides shared activities of daily living with other residents.

Conservation Easement - A legal agreement, often used to preserve rural areas or greenfields, in which a government or nonprofit can purchase a property in return for the guarantee of preserving it from development.

Conventional Financing - In the low-income housing industry, a term often used to refer to any loan made with non-subsidy sources. Among private, single-family lenders, a term to describe a loan that is made with a minimum 20% down payment and conventional underwriting criteria—a maximum 80% loan-to-value ratio and maximum 28/36

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underwriting ratios. See “loan-to-value ratio” and “underwriting ratios.”

Co-operative (co-op) - A form of shared ownership housing where all residents own stock in the corporation that owns the property. They do not own their units, but co-op share ownership entitles a resident to a long-term lease on a unit and a vote in the governance of the property. Limited equity cooperatives are a form of affordable, resident-controlled homeownership in which the individual share purchase prices are very low so that the resident does not need mortgage financing to buy in. Like rental properties, co-ops may be syndicated to raise money for the construction.

Cottage Housing - Cottage Housing is generally defined as a grouping of small, single family dwelling units clustered around a common area and developed with a coherent plan for the entire site. They have gained popularity in recent years as a type of infill development on small sites, within existing developed areas. The cottage units may have other shared amenities. The shared common area and coordinated design allow densities that are higher than typical single family neighborhoods, while minimizing impacts on adjacent residential areas.

Community Reinvestment Act (CRA) - A federal law that encourages lenders to make residential and commercial loans to low-income and minority people, and/or in low-income areas.

Debt Ratio - See “installment debt ratio.”

Debt Service - Principal and interest payments on a loan usually paid monthly.

Deed in Lieu of Foreclosure - The transfer of title of a mortgage property from the owner to a mortgage lender to avoid foreclosure and further collection actions.

Deed of Trust - See “mortgage loan.”

Deferred loan (a.k.a. deferred payment second mortgage or soft debt) - A non-amortizing loan, usually at 0% interest, on which no repayments are due until sale or some other point in the future. They are usually made by a public or nonprofit agency to a lower income homebuyer or a developer of low-income housing. Sometimes called a “deferred payment loan,” a “DPL,” or a “soft second mortgage.”

Department of Housing and Urban Development (HUD) - The U.S. Department of Housing and Urban Development’s mission is to create strong, sustainable communities and quality affordable homes. HUD administers hundreds of programs targeting communities from urban to rural. www.mass.gov/hed

Down Payment Assistance - Grants or low interest loans given to lower income homebuyer’s help to fund down payment and/or closing costs—usually in the range of \$2,000 to \$5,000. Less commonly, the term is used to refer to any second mortgage financing in any amount.

Entitlement Community (also called entitlement jurisdiction) - A city or urban county of at least 50,000 in population making it eligible for Community Development Block Grant (CDBG) funds directly from HUD.

Expiring Use Restrictions - Refers to affordable housing where the restrictions on rents and/or incomes of occupants could or will expire in the near future if owners prepay their publicly assisted mortgages and convert the units to market rate housing. The units were built with federal and/or state subsidies (such as low cost mortgages, interest subsidies, rent subsidies and loan guarantees). While mortgages and other assistance often had terms as long as 30-40 years, many gave owners the option to prepay the mortgage after 20 years and thus remove use restrictions on the property.

Extremely Low Income - Adjusted income that is below 30% of the area median income (AMI) adjusted for household size and for the county or Metropolitan Statistical Area.

Fair Housing Act/MA Fair Housing Act - Federal legislation, first enacted in 1968 and expanded by amendments in 1974 and 1988, that provides the Secretary of HUD with investigation and enforcement responsibilities for fair housing

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practices. The law prohibits discrimination in housing and lending based on race, color, religion, sex, national origin, handicap, of familial status. There is also a Massachusetts Fair Housing Act, which extends the prohibition against discrimination to sexual orientation, marital status, ancestry, veteran status, children, and age. The state law also prohibits discrimination against families receiving public assistance or rental subsidies, or because of any requirement of these programs.

Fair Market Rents (FMRs) - Maximum rents allowed by HUD in the Section 8 rental assistance program. Updated and published annually, FMRs represent HUD's estimate of the actual market rent for an apartment in the conventional marketplace. HUD sets FMRs by unit size (0 bedroom, 1 bedroom, etc.) and regions within each state. The current FMRs are posted on HUD's website: <http://huduser.org/datasets/fmr.html>

Farmer's Home Administration - See "Rural Housing Service."

Federal Home Loan Bank of Boston (FHLBB) - One of the 12 district banks, the FHLBB covers the 6 New England states and is owned by more than 460 New England financial institutions. A wholesale bank (a bank for banks), it provides access to credit for its members and administers several grant and loan programs to promote community development and expand affordable housing.

Federal Home Loan Mortgage Corporation (FHLMC) or Freddie Mac - Congressionally chartered agency established in 1970 (and privatized in 1989) to buy qualifying

Federal National Mortgage Association (FNMA of Fannie Mae) - Created in 1938 to purchase FHA, and later VA and conventional mortgages, Fannie Mae is now privately owned and managed, federally chartered corporation, the largest source of home mortgage funds in the United States. It buys qualifying residential mortgages from originating lenders and either keeps them in portfolio or packages and sells them as securities. Fannie Mae also offers programs with more flexible underwriting guidelines for lower income homebuyers.

Fee Simple Ownership - Outright ownership of real estate, as opposed to leasing, lease-purchase arrangements, and buying a home on land leased from a land trust.

First Mortgage Loan - For a home purchase or a real estate project, usually the largest loan and one that gives the lender the most security. In case of foreclosure and sale, the first mortgage lender gets the money before any other lender is paid off. Also called a "first deed of trust" loan in some areas of the country.

Fixed-Rate Mortgage Loan - A mortgage loan for which the interest rate does not change over time.

Forbearance Agreement - An agreement in which a lender postpones foreclosure on a mortgage loan to allow the borrower time to catch up on overdue loan payments.

Foreclosure - The process by which a mortgaged property may be sold when a mortgage is in default.

Geographic Information Systems (GIS) - A computerized system that stores and links spatially defined data in a way that allows information display and processing and production of maps and models. GIS is a powerful planning and analytical tool.

Green Building - A whole-building and systems approach to design and construction that employs building techniques that minimize environmental impacts and reduce the energy consumption of buildings while contributing to the health and productivity of its occupants.

Green Development - Development that uses environmentally friendly building practices and energy efficiency. There are a number of public and private incentives for green development, and increasingly, nonprofit developers use green construction as a way of increasing the expendable resources of lower income persons.

Greenfields Undeveloped land. Smart growth principles dictate that new development be steered away from greenfields

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to the maximum extent possible and toward sites where infrastructure and public transportation already exist, or to contaminated and/or underutilized sites that can be reclaimed to accommodate new development.

HOME Investment Partnership Program (HOME) - A federal program run by HUD which provides annual grants on an entitlement basis to states, large cities and consortia of smaller communities for affordable housing activities, including homeownership, rent subsidies, housing development and rehabilitation. Similar to CDBG funds, some communities are part of a consortium and receive HOME funds directly from HUD and distribute in their communities. DHCD administers HOME funds at the state level.

HOPE - A series of HUD programs that provide grants to local governments, housing authorities, or nonprofit organizations to convert unused or HUD-owned rental properties to homeownership opportunities. Properties must be public housing or government foreclosed housing. The grant pays for some administration, but requires a local match. Applicants compete for funds in periodic requests for proposals.

HOPE VI - Also known as the Urban Revitalization Program, this program enables demolition of obsolete public housing, revitalization of public housing sites and distribution of supportive services to the public housing residents affected by these actions. Rebuilt projects are commonly designed following new urbanist principles, and typically include one-third heavily subsidized units, one-third moderately subsidized units, and one-third market rate units.

Housing Appeals Committee (HAC) - A quasi-judicial body within DHCD, which hears appeals by developers, local zoning boards on comprehensive permit (Chapter 40B) decisions by local Zoning Boards of Appeal.

Housing Choice Vouchers - Allow very low-income households to choose and lease privately-owned rental units. The main federal rental assistance program, vouchers are administered by local public housing agencies. Vouchers are provided to eligible households, and they find their own housing (it must meet program health and safety requirements). Housing voucher recipients must pay 30 percent of their monthly adjusted gross income for rent and utilities. The PHA calculates the maximum amount of allowable assistance as the area moderate-priced unit standard minus 30 percent of the household's income.

Housing Consumer Education Centers - A statewide information and referral network that assists tenants, landlords, current and prospective homeowners with their housing problems. The Centers are located at agencies that provide a variety of housing services throughout Massachusetts.

Housing Payment Ratio - In single-family lending, the percentage of a borrower's income that will be spent on the housing payment after a home purchase, refinancing, or home renovation refinancing. This includes payments of loan principal, interest, real estate taxes, and insurance (called PITI).

Housing Stabilization Fund - The Housing Stabilization Fund (HSF) is a program available through DHCD to support comprehensive neighborhood redevelopment efforts and to help developers and municipalities acquire, preserve and rehabilitate affordable housing. The state legislature placed a special emphasis on reusing foreclosed and distressed properties and on creating affordable homeownership opportunities.

Housing Trust Fund - Distinct funds established by city, county or state governments that receive ongoing, dedicated sources of public funding to support the preservation and production of affordable housing, and opportunities for households to access affordable homes. While housing trust funds can be a repository for private donations, they are neither public/private partnerships nor endowed funds. There are currently 38 states with housing trust funds, and more than 550 city- and county-level funds in operation.

HUD - See Department of Housing and Urban Development.

Inclusionary Zoning - A local zoning ordinance that either requires or encourages a developer to include affordable housing as part of a development, or contribute to a fund for such housing. The bylaw may provide incentives such as increased density, reduced parking requirements, or expedited permitting in exchange for the affordable housing.

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Infill Development - The practice of building on vacant or undeveloped parcels in dense areas, especially urban and inner suburban neighborhoods. Promotes compact development.

Installment Debt Ratio - In single-family lending, the percentage of borrower's income that will be spent on all installment debt after a home purchase, refinancing, or home renovation financing. The conventional ratio is 36% of income. Some community reinvestment loan products and insured loans allow a higher ratio.

Land Trust - In the strictest sense, a nonprofit organization that sells affordable homes but retains ownership of the land under them in order to control, through the lease, the long-term affordability of the homes. The lease ensures that the home is resold to a low-income family, sold at a below-market price, and/or sold with a share of the appreciated value going to the nonprofit. The term is used more loosely to describe programs that subsidize fee simple homeownership for low-income families and impose similar kinds of long-term affordability controls.

Layered Financing - Financing for an affordable housing project that includes several subsidy sources (for example, HOME, CDBG, and Tax Credits).

Leverage - In affordable housing, this means using one source of funds in a project to encourage investment by another source.

Lien - A document recorded in public records that represents a debt owed on the property. Examples of liens include: a recorded mortgage deed, a lien for unpaid taxes, and a mechanic's lien representing construction work on a property that was not paid for.

Limited-Equity Ownership - Residents own their units, which provides security and wealth creation, but the price at which the housing can be resold or leased is limited. These restrictions can be based on the income characteristics of the incoming buyers, on the sale price itself, or both. There are two typical forms of limited-equity ownership: 1) condominium- each household owns its unit, but an association owns the land and common areas; 2) cooperative- each household owns a share of the cooperative housing association, not a unit.

Linkage Fees - A linkage or impact fee may be assessed on new industrial, commercial, or office development that increases the affordable housing burden on the surrounding community. The fees are used to create affordable housing. (Alternatively, housing units may be provided as part of the development.)

Loan-to-Value Ratio - The ratio between the proposed loan amount and the appraised value of a property that money is being borrowed for. For instance, if a proposed loan equals 85% of appraised value, the loan-to-value ratio is 85%. For community reinvestment programs, lenders will sometimes lend up to 95% or 97% of value, typically only if mortgage insurance is provided. The maximum ratio for conventional loans is 80%.

Local and Regional Housing Authorities (LHAs) - A housing authority set up by a city or town, or group of towns, in accordance with state law, M.G.L. Ch. 149 to provide low-income family or elderly housing.

Local Housing Partnership - A local housing committee appointed by the municipality with the purpose of promoting opportunities to produce and preserve affordable housing.

Local Initiative Program (LIP) - A state program under which communities may use local resources and DHCD technical assistance to develop affordable housing that is eligible for inclusion on the State Housing Inventory (SHI). LIP is not a financing program, but the DHCD technical assistance qualifies as a subsidy and enables locally supported developments, that do not require other financial subsidies, to qualify for inclusion on the Subsidized Housing Inventory.

Low Income - Adjusted income that is between 50 and 80% of the area median income (AMI) adjusted for household size and for the county or Metropolitan Statistical Area.

Low Income Housing Tax Credits (LIHTC) - A federal tax incentive that facilitates financing to develop low-income

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housing. The program provides dollar-for-dollar credit toward taxes owed by the housing owner. These tax credits can be sold, or used to back up bonds that are sold, to obtain financing to develop the housing. As with any other subsidy program, specific rules and eligibility requirements pertain to units funded with LIHTC.

Low-Income Housing Tax Credit (LIHTC) - Federal tax credit for developers of affordable housing. States receive an annual dollar value of credits which they then allocate to qualifying projects based on priorities established in a state allocation plan. DHCD is the allocating agency for Massachusetts.

Manufactured Homes - A home built entirely in the factory to a federal building code administered by HUD. The Federal Manufactured Home Construction and Safety Standards (commonly known as the HUD code) went into effect June 15, 1976. Manufactured homes may be single- or multi- section and are transported to the site and installed. The Federal standards regulate manufactured housing design and construction, strength and durability, transportability, fire resistance, energy efficiency, and quality.

Market Rate - Area rent levels for units without any subsidy or assistance from a public program.

Massachusetts Affordable Housing Trust Fund (AHTF) - A revolving trust fund established by the Massachusetts Legislature as Section 227 of Chapter 159 of the Acts of 2000, and now known as Chapter 121D. Administered by MassHousing, AHTF functions as a gap filler, the last funding piece necessary to make an affordable housing development financially feasible and sustainable for the long term. Funding is typically in the form of deferred loans.

Massachusetts Rental Voucher Program (MRVP) - A state-funded rental assistance program begun in November 1992, as a revised version of the state's previous rental assistance program (Chapter 707). It has both a project-based component and a tenant based component.

Median Income - See "area median income."

Mixed Income Housing Development - Development that includes housing affordable to various income levels.

Mixed Use Development - Projects that combine different types of development such as residential, commercial, office, industrial and institutional into one project.

Moderate Income - Adjusted income that is between 80 and 120% of the area median income (AMI) adjusted for household size and for the county or Metropolitan Statistical Area.

Mortgage Insurance - Insurance provided by a private institution or public agency that insures a lender in whole or in part from losses due to a default on a loan. Lenders typically require mortgage insurance only for loans that are not considered conventional (see "conventional financing"). Borrowers pay the premiums. The Federal Housing Administration (FHA-part of HUD) provides many kinds of mortgage insurance, as does the Veterans Administration (VA) and many private insurers, who provide what is called "private mortgage insurance (PMI)."

Mortgage Loan - A loan secured by a mortgage deed, meaning the property owner has agreed to give the property to the lender if monthly payments are not made, so the property can be sold to pay off the loan. First deed of trust loan means the same thing.

Mortgagee - The Lender of a mortgage loan.

Mortgagor - The borrower of a mortgage loan.

Municipal Affordable Housing Trust - Passed into law in Massachusetts in 2005, allows for the creation of a trust created as part of local government for the purpose to administering funds and managing a range of real estate activities related to affordable housing.

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Neighborhood Revitalization Strategy Area (NRSA) - Communities with HUD-approved NRSA are offered enhanced flexibility in undertaking economic development, housing and public service activities with their CDBG funds. This flexibility is designed to promote innovative programs in economically disadvantaged areas of the community. www.hud.gov

New England Fund (NEF) - An affordable housing program run by the Federal Home Loan Bank of Boston (FHLBB) NEF provides loans to member financial institutions to finance affordable housing. NEF is a widely used program for the development of mixed income housing under the Ch. 40B Comprehensive Permit.

Non-amortizing Loan - See “deferred loan.”

OneMortgage Program (formerly Soft Second Program) - The State’s first time homebuyer mortgage program operated by the Massachusetts Housing Partnership. ONE Mortgage features low, fixed-rate financing and as state-backed reserve that relieves homebuyers from the cost of private mortgage insurance. Eligible buyers obtain a bank mortgage from participating banks. www.mhp.net/homeownership

OneStop Application - A detailed application for public funding sources submitted to DHCD by affordable housing developers. This comprehensive funding application ensures that funders are reviewing the same information and have complete financial information for a development project. Most public financing for affordable housing is obtained through DHCD which holds public funding rounds once or twice a year.

Origination - Once a loan has been underwritten, the act of processing the loan through closing, providing the loan funds and setting the loan up for servicing.

Participation Loan - Usually, a first mortgage loan made on a larger real estate project such as an apartment acquisition, where two or more lenders provide the funds. In proportion to their funds provided, the share risk, repayments and any proceeds of sale in the event of a default. A common way to get lenders to finance multi-family deals that cannot immediately be sold to the secondary market.

PJ - Participating Jurisdiction under the HUD HOME program. A PJ is a local or state government eligible to contract directly with HUD for HOME funds. Smaller cities must subcontract from state government agencies.

PMI - See “mortgage insurance.”

Purchase-Rehab Program - See “acquisition-rehab.”

Qualifying Ratios - See “underwriting ratios.”

Regional Planning Agencies (RPA) - There are twelve Massachusetts regional planning agencies. They are public organizations that serve the local governments by dealing with issues and needs that cross city, town and county boundaries, through planning, policymaking, advocacy and technical assistance. Different RPAs have different strengths and focuses. www.apa-ma.org

Rent Control - These anti-gentrification ordinances limit the amount that a landlord can raise the rent, typically by setting an allowable annual percentage increase. Some ordinances also limit the amount the rent can be raised once a unit is vacant (i.e., between renters).

Rent Subsidies - Term typically used to describe HUD’s Section 8 program, which subsidize, the rent of low-income tenants in privately owned apartments and are typically administered by local housing authorities. There are two types of subsidies with only slight technical differences—certificates and vouchers. Generally tenants pay 30% of income for rent and utilities and HUD pays the rest directly to the landlord. Some other HUD funding programs for supportive housing and special needs housing can be used for rent subsidies. Some local governments sometimes provide rent subsidies or stipends with their own funds.

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Request for Proposal (RFP) - A process for soliciting applications for technical or consulting services or for project developers when funds are awarded competitively. In Massachusetts, public bodies securing goods and services and/or acquiring or disposing of real property are subject to M.G.L. Ch. 30B and should consult the Office of the Inspector General for required procedures and information about RFP's.

Rural Housing Service - A division of the U.S. Department of Agriculture that provides housing grants and loans to housing projects in small cities and rural areas, similar to programs of HUD in urban areas.

Secondary Financing - A term used to describe any financing used in conjunction with first mortgage loans from conventional financing institutions—for example, a down payment grant, a deferred payment loan, or an amortizing second mortgage loan.

Secondary Market - Collectively, the companies and government institutions that buy mortgage loans from lenders that originated them. A large number of single-family mortgage loans and some multifamily loans are sold to the secondary market, even though originators may still service many of the loans (see “servicer”).

Section 502 - A program of the Rural Housing Service that provides low-income borrowers with direct low-interest loans or loan guarantees to buy a new or existing home. The guarantors are used as an incentive for private, institutional lenders to make home purchase loans at interest rates slightly below market. Section 502 loans are also sometimes originated as low-interest second mortgage loans made in tandem with first mortgage loans from private lenders.

Section 8 - A HUD program (officially called the Housing Choice Voucher Program) providing funding for rental assistance to low-income households. Participating tenants typically pay 30% of their income for housing (rent and utilities) and the federal subsidy pays the balance of the rent.

Self-Sufficiency Programs - A loosely defined term used to describe various programs that assist the homeless, people on welfare or public housing tenants in getting training, day care and employment. HUD funds or promotes several self-sufficiency programs for public housing tenants and tenants with HUD rent subsidies.

Servicer - Or “loan servicer.” A company that collects payments due on mortgage loan, often the lender that originated the mortgage loan, even if the lender sold the loan to another entity.

Servicing - The act of collecting loan payments, accounting for them, making reports and managing escrowed funds for taxes and insurance.

Settlement - See “closing.”

Single Room Occupancy (SRO) - Efficiency units which may or may not include separate bathroom or kitchen facilities.

Smart Growth - An approach to planning and development that promote a more efficient use of land to reduce sprawl using compact development patterns that are less dependent on the automobile and include a range of housing options and improve the balance of jobs and housing within the community or the region.

Soft Costs - A jargon term for non-bricks-and-mortar costs of a real estate development project. Includes architectural costs, surveys, appraisals, other fees, holding costs, etc.

Soft Money - A jargon term for subsidy funds from public or charitable sources used in a real estate development project. There are degrees of “soft.” The softest funding consists of grants and deferred payment loans. Less soft are low interest, amortizing loans.

Special Needs Housing - A loosely defined term for affordable or no-cost residential facilities for people with special medical problems, the homeless or people enrolled in self-sufficiency programs. In the broadest sense, it includes emergency shelters, longer-term shelters, transitional housing, halfway houses and group homes.

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Subordinated Loan - In single-family mortgage lending, a second or third mortgage loan with a lien that is subordinate to a first or second mortgage loan. In the event of default and foreclosure, subordinated loans are repaid only after other debts with a higher claim have been satisfied. (See “mortgage loan” and “lien.”)

Subsidized Housing - There are two general types of housing subsidies: 1) development subsidies (supply side) to help construct or acquire housing, and 2) operating subsidies (demand side) that supplement the amount that residents can pay.

Subsidy - Typically refers to financial assistance that fills the gap between the cost of affordable housing development/operations and the mortgage or sales income supported by income restricted rentals or homeownership sales. Affordable rents and home sales prices are determined by financing program eligibility requirements. Often, multiple subsidies from various sources are needed, referred to as the “layering” of subsidies, in order to make a project feasible. In the state’s Local Initiative Program (LIP), DHCD’s technical assistance qualifies as a subsidy and enables locally supported developments that do not require other financial subsidies to use the comprehensive permit process. Also, “internal subsidies”

Three-Two (3/2) Option - Underwriting guidelines that allow homebuyers to make a three-percent down payment with their own funds, coupled with a gift from a relative or a two-percent grant or unsecured loan from a nonprofit or government-sponsored program. For example, Fannie Mae will purchase loans from approved lending programs that use this option, if the borrower’s income does not exceed 115% of the area median income.

Transitional Housing - A loosely defined term covering a number of housing facilities that serve the formerly homeless, people trying to get off welfare, or people released from institutions. Usually the term of stay is restricted to one to two years. The most common form is apartments or shared living facilities for the formerly homeless or single female parent with children. When treatment and supervision is involved, a facility is usually called a halfway house or group home.

Underwriting - The process of evaluating a loan application to determine if it meets credit standards and any other special requirements (as with special loan products for low-income borrowers). The underwriting process determines whether or not a loan will be approved, and on what terms and conditions.

Underwriting Ratios - Criteria used by lenders to determine how large a loan a prospective borrower can afford. The housing payment ratio (for “front” ratio) is the maximum percentage of monthly household income that can be paid for principal, interest, taxes and insurance (PITI). The installment debt ratio (or “back” ratio) is the maximum percentage of income that can be paid for total installment debt (including PITI, car loans, etc.). Ratios for conventional loans are 28% for PITI, and 36% for all installment debt, often expressed as 28/36. Many special loan products allow ratios of 33/38 or even higher increasing the amount of the monthly payment and, thus, the amount that can be borrowed.

Variable-Rate Mortgage Loan - A mortgage loan for which the interest rate may change over time in relationship to some index such as the market price of long-term U.S. Treasury obligations.

Very Low Income - Adjusted income below 50% of the area median income (AMI) adjusted for household size and for the county or Metropolitan Statistical Area.

Vouchers - Or Housing Vouchers. See “rent subsidies.”

Write-down - A colloquial term used to describe a grant from a public or private source used to pay for part of the costs of a real estate development project. The grant is called a write-down because it makes the housing more affordable for tenants or homebuyers.

Zoning - The classification of land by a) types of uses permitted and prohibited and b) by densities and intensities permitted and prohibited in a given district, including regulations regarding building location on lots.