

**NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY (HMFA)**

**Residential Foreclosure Intervention Program**

**Guidelines**

**Adopted: October 19, 2023**

**Program Overview:** The New Jersey fiscal year 2024 budget (P.L. 2023, c.74) appropriates \$15,000,000 from the State’s “Coronavirus State Fiscal Recovery Fund” allocation, established pursuant to the federal “American Rescue Plan Act of 2021,” Pub. L. 117-2, to the New Jersey Residential Foreclosure Intervention Program (FIP) established pursuant to P.L. 2021, c. 34, as amended by P.L.2023, c.76.

Through a Memorandum of Understanding with the Department of Community Affairs, Division of Disaster Recovery and Mitigation, New Jersey Housing and Mortgage Finance Agency (NJHMFA) will utilize Foreclosure Intervention Funds (FIF) to provide funding for foreclosure intervention developers to purchase, rehabilitate and sell single family homes to eligible households.

**Application Submission Process:** Applications will be accepted on a rolling basis and approval will be determined based on a foreclosure intervention contractor having demonstrated that it meets all eligibility criteria. Funding commitments will be issued upon a developer identifying an eligible property for purchase, submitting an application, and receiving NJHMFA Board approval for the project. Upon NJHMFA Board approval, the NJHMFA will fund the acquisition cost of the property at the time of closing or as a reimbursement for an eligible property purchase at the time of sale of a rehabilitated property. Failure to complete the rehabilitation and/or sale of the property within three years of initial allocation shall result in the acquisition funds being repaid to the FIF by the developer.

Upon taking ownership of the eligible property, the developer shall submit a workplan to NJHMFA for approval. Upon the sale of the rehabilitated property, the costs for the rehabilitation shall be reimbursed to the developer up to the balance of the maximum award amount.

<b>1. Program Goal</b>	To increase the supply of inhabitable single-family homes and to reduce the number of vacant and abandoned properties.
<b>2. Target Areas</b>	State of New Jersey
<b>3. Program Allocation</b>	\$25 million in the FIF, with up to 5% of the available money to be used for administrative costs. Revenues from the successful rehabilitation and sale of properties are to be deposited to the FIF and reinvested in additional foreclosure prevention projects.

<p><b>4. Eligibility Criteria</b></p>	<p>Foreclosure intervention developers include community development financial institutions or other non-profit entities with experience conducting dwelling rehabilitation, mortgage servicing and underwriting, financing and acquisition of real estate for affordable housing, or community development work. Strong preference will be given to foreclosure intervention developers with substantial experience in and knowledge of the New Jersey real estate market.</p> <p>Eligible foreclosure intervention developers are required to locate eligible properties, seek project approval from the NJHMFA, purchase the eligible properties, assess rehabilitation needs, devise development plans and budgets, undertake eligible interventions, contract with and provide payments to any necessary third-party specialists, obtain certificates of occupancy, identify eligible purchasers, and sell the rehabilitated properties to households making no more than 120% of AMI. The developer is required by the enabling statute to give preference to households with a NJHMFA issued mortgage.</p>
<p><b>5. Eligible Properties</b></p>	<p>Any residential property that is owned by an institutional lender as the result of a mortgage foreclosure judgment or a deed in lieu of foreclosure or is owned by a municipality as a result of a tax foreclosure judgment. Foreclosed upon properties already owned by foreclosure intervention contractors also are eligible so long as acquisition occurred after March 3, 2021.</p> <p>A property must be a single-family home, a condominium, a townhome, or a manufactured home permanently affixed to the property.</p> <p>Properties must be located in areas that are not considered to be at high risk of environmental hazards. Properties must not fall within a Flood Hazard Area as defined by NJDEP. Additionally, properties must not be located within a census tract that is designated as being at “Relatively High” or “Very High” risk of natural disaster.<sup>1</sup></p> <p>Funds may be used for hard costs approved by the Agency. This includes the cost of acquisition. Foreclosure intervention contractors must use industry standard durable materials obtained at reasonable cost for rehabilitation interventions.</p> <p>The rehabilitated properties must be sold to households with incomes at or below 120% of the area median income. Developers shall complete an income certification to verify the household income and submit to the NJHMFA. The NJHMFA shall annually publish the list of maximum income limits by county in line with HUD’s calculations of county AMI. This shall be taken into consideration when selecting properties for rehabilitation.</p>
<p><b>6. Program Application</b></p>	<p>The NJHMFA will publish the Foreclosure Intervention Program guidelines and application materials on the NJHMFA website. The guidelines and application shall include information such as foreclosure intervention developer eligibility criteria, property eligibility criteria, maximum award amount, and the structure of funding. Applicants shall submit applications if they meet the foreclosure intervention developer criteria and if they already possess or have identified an eligible property for purchase. Each property brought to the NJHMFA for approval shall be submitted as a separate application. Multiple applications, each containing a unique property, may be submitted for review simultaneously.</p> <p>At a minimum, foreclosure intervention developers must demonstrate that properties meet all of the eligibility requirements. These requirements include, but are not limited to, that a property is vacant, that the developer is in the process of</p>

	<p>gaining or has gained ownership of the property, and that the property is in an environmentally sustainable location as defined in the Eligible Properties section of these guidelines.</p> <p>Applications are to be underwritten by the NJHMFA staff. The NJHMFA Special Programs staff may recommend a project to the NJHMFA Board if all developer and property criteria are met. The NJHMFA may refuse to recommend a project to the Board if the Agency deems that a developer does not possess the fiscal or organizational capacity to complete the proposed project. If the Board approves a recommended project, foreclosure intervention developers shall receive a funding commitment of up to the maximum award amount of \$400,000 per property application.</p>
<p><b>7. Structure of Funding</b></p>	<p>The FIP's allocation structure consists of two distinct processes depending upon whether the foreclosure intervention developer has possession of the house prior to receiving Board approval or if the foreclosure intervention developer acquires the property following Board approval. Both structures consist of two disbursements: one for acquisition costs and one for rehabilitation costs. The process for the second disbursement will be the same regardless of ownership status at the time of Board approval.</p> <p><b>Process One:</b> If the foreclosure intervention developer does not have possession of the property prior to Board approval, the first disbursement will be made to fund the acquisition of the home at the time of closing. Upon receiving Board approval, the foreclosure intervention developer will enter into a grant agreement with the NJHMFA. The grant agreement must be executed for the foreclosure intervention developer to receive funds for purchase.</p> <p><b>Process Two:</b> If the foreclosure intervention developer already possesses the property, the first disbursement shall take the form of a reimbursement for acquisition costs. Upon Board approval, the foreclosure intervention developer must provide the deed for the property and enter into a grant agreement with the NJHMFA. The reimbursement for acquisition will be equal to the purchase amount listed in the deed. The NJHMFA will not reimburse any carrying costs incurred by the foreclosure intervention developer.</p> <p><b>Applicable to All:</b> The second disbursement will occur when the foreclosure intervention developer sells the rehabilitated property to an eligible household. The foreclosure intervention developer is required to submit invoices for materials and labor to the NJHMFA for review and approval prior to disbursement. Developers must obtain and supply a copy of all necessary government inspections, including a certificate of occupancy, to the NJHMFA and provide documentation that the home has been sold to an eligible household. The failure to complete a purchase, rehabilitation, and sale of an eligible property shall result in the full repayment of funds to the NJHMFA by the developer.</p> <p>Within sixty days of Board approval of a project, foreclosure intervention developers are required to provide a project assessment including a workplan and the estimated cost of required work including the estimated costs of various contingencies. This submission is to be reviewed NJHMFA Special Programs staff who shall determine a final award amount which may be less than the approved award of \$400,000. The final award amount will be based on on the sale price and workplan.</p>

	<p>Invoices for materials and labor will continue to be reviewed until the completion of the rehabilitation. Once rehabilitation is complete, a certificate of occupancy has been obtained, and the property is sold to an eligible household, the developer will be reimbursed for the costs associated with the rehabilitation, not to exceed the maximum award amount. This disbursement shall take the form of a reimbursement for the foreclosure intervention contractor's eligible rehabilitation interventions including outlays to third-party construction specialists or service providers. There shall be no direct payments made by the NJHMFA to any third-party construction specialists or service providers. A certificate of occupancy and proof of sale to an eligible household are required for the final reimbursement.</p> <p>The foreclosure intervention developer shall sell the property to a household making no more than 120% AMI based on HUD's median family income for the relevant county. The foreclosure intervention contractor shall be responsible for completing an income certification to verify the household income prior to entering into a contract for the sale of the property. The income certification shall be submitted to the NJHMFA prior to executing a contract of sale. The developer is required by the enabling statute to give preference to households with a NJHMFA issued mortgage.</p> <p>At the time of closing, the sale proceeds shall be divided between the foreclosure intervention developer and the NJHMFA. The foreclosure intervention developer is entitled to received 30% of the proceeds with the NJHMFA receiving the remaining 70% to deposit in the FIF.</p>
<p><b>8. Per Property/Unit Assistance</b></p>	<p>The maximum allocation per eligible property is \$400,000.</p>
<p><b>9. Estimated Number of Properties to Be Assisted</b></p>	<p>60</p>