

Home Buyer Mortgage Program Section 8 Supplement

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1. **INTEREST RATE:** Please call 1-800-NJ HOUSE for current interest rates.
2. **MORTGAGE LOAN MATURITY:** 30 year maximum term, conventional, fixed rate, maximum 97% Loan-to-Value (LTV). Loans with greater than 80% LTV must have private mortgage insurance coverage or must have FHA, Rural Housing or VA coverage (note that government insured loans may not permit PITI write down option) *Loan-to-value percentage is the unpaid balance of the mortgage principal to the appraised value or sale price (whichever is lower) of the property.*
3. **FEES:** Borrowers must pay 1% of the loan amount at time of application. The lender will reimburse borrower at the time of closing on a zero point loan.
4. **ELIGIBLE PROPERTIES:** One-family units, including condominiums and cooperatives (new and existing). Properties must be pre-inspected and approved by the Public Housing Authority ("PHA"). The Borrower must retain a qualified Home Inspector to perform a home inspection.
5. **ELIGIBLE BORROWERS:** Individuals only. Corporations are not permitted to act as borrowers. A Borrower's annual income must be at least \$10,300 however, for disabled persons and senior citizens, there is no minimum income requirement. Borrowers must have a current Section 8 housing voucher from an issuing Public Housing Authority ("PHA") that has a HUD approved voucher payment administrative plan. The PHA administrative plan must permit vouchers for purchase of properties located in the place of purchase and the PHA may have to approve the financing terms offered by the Agency. Borrowers purchasing in Statewide areas must be first-time homebuyers. Borrowers purchasing properties located in the targeted areas do not have to be first time homebuyers, however, at the time of loan closing no other residential properties may be owned. Combined housing and total debt ratio based on the Borrower's income (excluding Section 8 payments) cannot exceed 41% of the Borrower's income.
6. **OCCUPANCY:** Property must be occupied as the borrower's primary residence within 60 days of closing. Borrower must maintain occupancy for the life of the loan.
7. **MORTGAGE INSURANCE:** the following coverage is required on all conventional loans and is determined by down payment.

95.01% to 97% LTV	35% Coverage for a 25 year to 30 year term
95.01% to 97% LTV	30% coverage for a 25 year or less term
90.01% to 95% LTV	30% coverage regardless of loan term
80.01% to 90% LTV	25% coverage regardless of loan term



Loans processed under the FHA, VA and/or RECD guidelines must have the appropriate insurance or guarantee.

8. **HOME BUYER EDUCATION:** All borrowers must participate in home ownership and personal finance counseling/education sessions sponsored by the Agency, the PHA or the lender. The PHA may impose additional counseling requirements. Borrowers must be issued a Completion Certificate after the counseling is completed.

9. **DOWNPAYMENT REQUIREMENTS:** All loans require a minimum of 3% down payment regardless of whether the loan has private mortgage insurance, FHA, Rural Housing or VA guaranties.

10. **CLOSING COSTS:** Borrower may fund closing costs with gifts or unsecured loans from non-profit organizations or public entities. Escrow payments must be paid from borrower's liquid assets. Borrowers whose monthly budgets have less than \$900 remaining after making their monthly housing payment will be required to have in place a home warranty protection insurance policy for a period of at least one year following the date of the home purchase.

11. **INCOME LIMITS:** Income limits for all mortgage programs are determined by the area of purchase, as well as, family size (listed on separate sheet).

12. **PURCHASE PRICE LIMITS:** Purchase price limits exist for both the statewide and target areas. Loans submitted using FHA, VA and/or RECD guidelines must adhere to FHA or HMFA guidelines (whichever is lower) regarding purchase price limits or mortgage loan limits.

13. With respect to Section 8 homebuyers, the following underwriting and program rules are in effect.

- a. Loans may be underwritten in the currently approved way, crediting Section 8 funds (times 1.25 because they are non-taxable) as additional income and applying normal program housing ratios. This method may work for higher income households or where required by a local PHA.
- b. Alternatively, if a loan is insured, Section 8 funds can be applied directly to PITI, and certain other housing costs such as mortgage insurance, without regard to traditional housing ratio underwriting standards.
- c. A minimum of three percent for down payment is required.
- d. Section 8 payments will be made directly from the PHA to the Agency's sub-servicer.
- e. If alternative underwriting as described in (b) above is permitted, the applicant may have a combined housing and non-housing debt ratio, based on actual income, of not more than 41% of gross monthly income. For purposes of calculating this ratio, Section 8 funds will not be included in gross monthly income.
- f. Borrowers whose monthly budgets have less than \$900 remaining after making their monthly housing payment (PITI + other required monthly housing related costs such as condo fees, reserve fund or recurring costs required by the PHA) will be required to have in place a Home Warranty Protection insurance policy for a period of at least one year following the date of the home purchase.
- g. Borrowers will be required to have at least \$800 cash after loan closing.
- h. These are minimum Agency underwriting standards. The PHA may establish additional and/or more restrictive standards.

Revised: June 24, 2005

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1-800-NJ HOUSE
www.nj-hmfa.com

Who is Eligible?

To be eligible you must meet **ALL** of the following criteria. You must:

- Be a current DCA Section 8 Housing Choice Voucher (HCV) program participant.
- Have a minimum annual household income of \$10,300 – welfare assistance may not be considered in determining if a family meets requirements.
- At least one adult in the household must currently be employed full-time for more than 30 hours per week continuously for at least one year.
- Be a first-time homebuyer. No adult in the household can have had ownership interest in a home in the past three years.

Currently, not all of New Jersey's counties are participating in DCA's Section 8 Homeownership Program. Be sure to stay in touch with DCA to find out when the program will be offered in your county. For more information, call (609) 292-9025.

Note: Eligibility criterion is different for disabled and the elderly.

What is the Eligibility Criteria for Individuals who are Disabled/Elderly?

To be eligible, elderly or disabled individuals must meet **ALL** of the following criteria.

- Have a DCA Section 8 HCV – income is the monthly Federal Supplemental Security Income (SSI) benefit for an individual living alone multiplied by 12. (Example: \$552 in SSI x 12 = \$6,624). Welfare assistance may be considered in determining if family meets income requirements.
- Be a first-time homebuyer (have not owned a home in the last three years.)

Note: There is no employment requirement.

What is the Maximum Term of Assistance Provided by Section 8 Homeownership Program?

The maximum term of assistance provided by Section 8 Homeownership Program is:

- 10 years for a 15-year mortgage
or
- 15 years for a 20+-year mortgage.

Note: There is no maximum term of assistance for disabled or elderly participants.