

# CITY OF ENGLEWOOD BERGEN COUNTY, NJ

## Affordability Assistance Program Policies and Procedures Manual



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## **INTRODUCTION**

### **Introduction**

The purpose of this manual is to describe the policies and procedures of the Affordability Assistance Program for the City of Englewood. This manual explains what is needed for residents of the City to qualify for the program, in addition to outlining the operation of the program.

The Affordability Assistance Program is designed to help low and moderate-income households acquire funding to secure income restricted affordable housing within the City by providing a one-time deferred payment loan to offset the initial costs of securing adequate housing. This housing may be either owner occupied dwelling units or rental dwelling units.

This program provides the following options for affordability assistance:

1. Security deposit assistance – Funding equal to the required security deposit for a rental dwelling unit may be available to be paid directly to the landlord on behalf of a very low-, low-, or moderate-income tenant. This is a loan to the landlord. At the end of the duration of a lease, the security deposit shall be returned to the City rather than the tenant.
2. Emergency rental assistance – Funding equal to the required contract rent may be available to be paid directly to the landlord on behalf of a low or very-low-income tenant household. This is a grant payment and no repayment is required.
  - a. Emergency rental assistance is limited to a maximum of one payment per term of the lease for a low-income households, and a maximum of two payments per year for a very-low-income household.
  - b. The emergency rental assistance program shall not be available for moderate income renter households.
3. Down payment / Closing cost assistance – Funding of up to \$10,000.00 per applicant may be applied to offset the up-front costs of purchasing a home or condominium unit in Hawthorne. These funds would be a no-interest loan to

the prospective buyer, and if the buyer remains in the home for a period of at least 5 years, the loan will be forgivable.

All dwellings purchased with funds from the Affordability Assistance Program shall be subject to a thirty (30) year deed restriction to remain affordable to low- and moderate-income households.

## **Administration**

The Affordable Housing Assistance Program will be managed by the City's Affordable Housing Administrative Agent. Funding provided by this program shall be distributed from the City's Affordable Housing Trust Fund in accordance with the City's adopted Affordable Housing Trust Fund Spending Plan.

## **ELIGIBILITY**

Applications submitted for the Program will be provided and reviewed on a first-come-first-served basis according to the following criteria. The following criteria must be met in order for an applicant to be deemed eligible for this Program. Eligibility does not guarantee that any funding will be provided to applicants from this Program.

1. There are affordability assistance funds remaining in the budget for the year.
2. The applicant has not received affordability assistance from this program in the past year.
3. The applicant must qualify as a low- or moderate-income household in accordance with the most current regional income limits established by the Affordable Housing Professionals of New Jersey (AHPNJ) or the applicable State of New Jersey regulatory entity should the State resume promulgation of regional income limits for Region 1 which consists of Bergen, Hudson, Bergen and Sussex Counties.
4. For the Security Deposit Assistance Program, the applicant must lease a dwelling unit within the City of Englewood that they will maintain as their primary residence.
5. For the Emergency Rental Assistance Program, the applicant must be a low, or very low-income household and lease a deed restricted affordable dwelling unit within the City of Englewood that they maintain as their primary residence. For the Down Payment or Closing Cost Assistance Program, the applicant must be in the process of purchasing a deed-restricted affordable dwelling in the City;

6. For the Down Payment or Closing Cost Assistance Program, the applicant must be the owner of the property after purchase and occupy the dwelling unit as their primary residence.

## **PROGRAMS**

### **Down Payment & Closing Cost Assistance Program Procedures**

1. An application for funding through the Affordability Assistance Program shall be filed with the City's Affordable Housing Administrative Agent.
2. The Administrative Agent shall review and process the application.
3. If an applicant is certified and approved, the Administrative Agent shall notify the City's financial department of the intent to award the loan, and confirm the availability of funds.
4. The Administrative Agent shall prepare a draft resolution authorizing the award of the loan, specifying the amount of funds, the location and type of unit, and the specific affordability controls on the unit.
5. The City shall release the funds from the Affordable Housing Trust Fund to the escrow account following the approval of the resolution.
6. A Repayment Agreement, Mortgage Note, and Mortgage shall be executed at closing, and recorded by the title company.
7. The Administrative Agent shall notify the applicant of the awarding of funds, and record the assistance, and terms of the assistance, in the file for the affordable unit.

### **Loan Amount and Period**

The maximum amount of assistance that may be provided per applicant is \$10,000.00. The loan period shall be five (5) years.

### **Loan Terms and Agreement**

All funds are distributed at closing. The funds are sent via bank wire to either the participant's attorney or closing agent trust account. The attorney or trust account must have a business registration certificate and W-9 Tax Identification Form. The City must be given notice of the closing five (5) business days ahead of the closing date.

Loans for applicants to the Program shall be secured through a mortgage and mortgage note in favor of the City and executed by the property owner when required. The

mortgage and mortgage note, as well as a deed restriction, will be executed at closing. The terms of the mortgage are in the mortgage note, which is not recorded. The original mortgage note shall be retained by the Program Administrator and kept in the unit file. The administrative agent shall send the mortgage and deed restriction requiring recording to the City. Upon receipt, the City will file said documents with the Bergen County Clerk's office upon the completion of the closing of title.

All loans are deferred payment loans and are due in full at zero percent (0%) interest upon sale, or change in title, if said sale or change in title occurs within five (5) years of the date of closing. All repayment of loans shall be paid to the City's Affordable Housing Trust Fund. If the applicant remains the owner and occupant of the dwelling at the end of the five (5) year duration period of the loan, the loan shall be forgiven in full.

### **Insurance Requirements**

The applicant must provide proof of homeowner's insurance and proof that the insurance has been paid. The homeowner's insurance must list the City of Englewood and the City of Englewood Affordability Assistance Program as additional insureds, loss payees, or additional mortgagees for the entire 5-year period of the mortgage.

All prospective applicants must have Title Insurance naming the City of Englewood and City of Englewood Affordability Assistance Program as additional insureds, loss payees, or additional mortgagees.

If the home is associated with a Condominium Association or a substantially similar entity, the City of Englewood and the City of Englewood Affordability Assistance Program shall be listed as additional insureds, loss payees, or additional mortgagees on the blanket insurance policy for the Association's property.

In the event that the property is located in a Flood Zone, flood insurance will be required listing the City of Englewood and City of Englewood Affordability Assistance Program as additional insureds, loss payees, or additional mortgagees.

### **Affordability Controls**

All homes purchased by qualified low- or moderate-income households with assistance from the City's Affordability Assistance Program shall include a deed restriction which provides affordability controls indicating that the unit must remain affordable to a low- or moderate-income household for a period of at least thirty (30) years, in accordance with the Uniform Housing Affordability Controls (UHAC) at N.J.A.C. 5:80-16.1 et seq.

## **Security Deposit Assistance Program Procedures**

1. An application for funding through the Affordability Assistance Program shall be filed with the City's Affordable Housing Administrative Agent.
2. The Administrative Agent shall review and process the application.
3. In the event that there are more income-qualified applicants than there are funds available, preference shall be given to very-low-income households.
4. If an applicant is certified and approved, the Administrative Agent shall notify the City's financial department of the intent to award the loan, and confirm the availability of funds.
5. The Administrative Agent shall prepare a draft resolution authorizing the award of the loan, specifying the amount of funds, the location and type of unit, and the specific affordability controls on the unit.
6. The City shall release the funds from the Affordable Housing Trust Fund to the participating landlord following the approval of the resolution.
7. The Administrative Agent shall notify the applicant of the awarding of funds, and record the assistance, and terms of the assistance, in the file for the affordable unit.

### **Loan Amount and Period**

The maximum amount of assistance that may be provided per applicant shall be equal to one and one-half month's contract rent, or \$2,500.00, whichever is lesser. The loan period shall be the duration of the applicant's occupancy of the dwelling unit.

### **Loan Terms & Repayment Agreement**

All funds distributed for a security deposit shall be deposited by the landlord in an escrow account in accordance with applicable state laws. Upon the end of the applicant's tenancy in the dwelling unit, the landlord shall repay the security deposit to the City of Englewood's Affordable Housing Trust Fund.

In the event that monies are deducted from the security deposit due to damages to the dwelling unit, the tenant shall be responsible for repaying any monies deducted to the City's Affordable Housing Trust Fund.

## **Emergency Rental Assistance Program Procedures**

1. An application for funding through the Affordability Assistance Program shall be filed with the City's Affordable Housing Administrative Agent.

2. The Administrative Agent shall review and process the application.
3. In the event that there are more income-qualified applicants than there are funds available, preference shall be given to very-low-income households.
4. If an applicant is certified and approved, the Administrative Agent shall notify the City's financial department of the intent to award the grant, and confirm the availability of funds.
5. The Administrative Agent shall prepare a draft resolution authorizing the award of the grant, specifying the amount of funds, the location and type of unit, and the specific affordability controls on the unit.
6. The City shall release the funds from the Affordable Housing Trust Fund to the participating landlord following the approval of the resolution.
7. The Administrative Agent shall notify the applicant of the awarding of funds, and record the assistance, and terms of the assistance, in the file for the affordable unit.

### **Funding Amount and Period**

The maximum amount of assistance that may be provided per applicant shall be equal to the contracted rent for one month. As this is a grant, there is no period of repayment. For low-income households, a maximum of one award per term of the lease, or calendar year shall be permitted. For very low-income households, a maximum of two awards per term of the lease, or calendar year, shall be permitted.

### **Terms of Repayment Agreement**

All funds distributed for emergency rental assistance shall be paid directly to the landlord and serve as payment for one month's contracted rent. No repayment of emergency rental assistance funding shall be required.

### **Property Eligibility**

Any property that will serve as the prospective homebuyer's or renter's primary residence, and is located within the City of Englewood is an eligible property type, including but not limited to the following:

1. A single-family property (one-unit)
2. A two- to four-unit property
  - (a) If affordable housing trust funds are used to assist a purchaser to acquire one unit in a two- to four-unit property, and that unit will be the principal

residence of the purchaser, the long-term affordability requirements apply to the assisted ownership unit only.

- (b) If affordable housing trust funds are used to help a purchaser acquire one or more rental units along with the homeownership unit, then rental affordability requirements shall apply to the rental units in addition.
- 3. An apartment within a multi-family property
- 4. A condominium unit
- 5. A cooperative unit or a unit in a mutual housing project
- 6. A manufactured house
  - (a) At the time of completion, the manufactured housing must be connected to permanent utility hook-ups.
  - (b) The manufactured housing unit must be located on land that is owned by the manufactured housing unit owner, or on land for which the manufactured housing unit owner has a lease.

## **INCOME ELIGIBILITY AND CERTIFICATION PROCEDURE**

In order to be eligible for assistance, applicants must be determined to be income eligible. All adult members of the applying household 18 years of age and older must be fully certified as income-eligible before they can receive any assistance from the Program. The Program will income qualify applicants in accordance with the Uniform Housing Affordability Controls (UHAC) at N.J.A.C. 5:80-16.1 et seq., except for the asset test. The applicant's monthly housing payment shall not exceed 40% of the applicant's adjusted monthly gross income.

### **Qualified Income Sources**

The following are considered income and shall be included in the determination of the applicant's income eligibility:

- Wages, salaries, tips, commissions
- Regularly scheduled overtime
- Unemployment Compensation (verify # of weeks eligible to receive)
- Disability
- Interest income from assets such as savings, certificates of deposit, money market accounts, mutual funds, stocks, bonds
- Social Security
- Pensions
- Alimony

- Verified regular child support (received)
- TANF (Temporary Assistance for Needy Families)
- Imputed interest (using a current average annual rate of 2%) from non-income producing assets, such as equity in real estate. Rent from real estate is considered income, after deduction of any mortgage payment, real estate taxes, property owner's insurance.
- Rent from real estate is considered income
- Net income from business or real estate
- Any other forms of regular income reported to the Internal Revenue Service

## **Unqualified Income Sources**

The following are not considered income and shall not be included in the determination of the applicant's income eligibility:

- Food Stamps
- Payments received for foster care
- Income of live-in attendants
- Student Loans
- Rebates or credits received under low-income energy assistance programs
- Court ordered payments for alimony or child support paid to another household shall be deducted from gross annual income
- Part-time income of dependents enrolled as full-time students
- Relocation assistance benefits
- Scholarships
- Personal property such as automobiles
- Lump-sum additions to assets such as inheritances, lottery winnings, gifts, insurance settlements

## **Income Verification**

To calculate income, the current gross income of the applicant is used to project income over the next 12 months. Income verification documentation should include, but is not limited to, the following for each and every member of a household who is 18 years of age or older:

1. Four current consecutive pay stubs, including bonuses, overtime or tips, or a letter from the employer stating the present annual income figure, or if self-employed, a current Certified Profit & Loss Statement and Balance Sheet.
2. A signed copy of regular IRS Form 1040 (Tax computation form), 1040A, or 1040EZ (as applicable) and state income tax returns filed for the last three years prior to the date of interview or notarized tax waiver letter for respective tax year(s).
3. A form 1040 Tax Summary for the past three tax years can be requested from the local IRS Center or by calling 800-829-1040
4. If applicable, a letter or appropriate reporting form verifying monthly benefits such as:
  - (a) Social Security or SSI – current awards letter or computer printout letter
  - (b) Unemployment – verification of unemployment benefits
  - (c) Welfare – TANF current award letter
  - (d) Disability – Worker's compensation letter, or
  - (e) Pension income (monthly or annually) – a pension letter
  - (f) A letter or appropriate reporting to verify any other sources of income claimed by the applicant such as alimony or child support – copy of court order or recent original letter from the court (includes separation agreement or divorce papers) or education scholarship/stipends – current award letter.
5. Reports from the last two consecutive months that verify income from assets to be submitted by banks or other financial institutions managing savings and checking accounts (bank statements and passbooks), trust funds, money market accounts, certificate of deposit, stocks or bonds (in brokerage accounts – most recent statements and/or in certificate form – photocopy of certificates)

Examples: copies of all interest and dividend statements for savings accounts, interest and non-interest-bearing checking accounts, and investments.
6. Evidence or reports of income from directly held assets, such as real estate or businesses owned by any household member 18 years and older.
7. Interest in a corporation or partnership – Federal tax returns for each of the preceding three tax years.
8. Current reports of assets – Market Value Appraisal or Realtor Comparative Market Analysis and Bank/Mortgage Co. Statement indicating current mortgage balance. For rental property attach copies of all leases.

## **Verifying Student Income and Income From Real Estate**

1. **Student Income** – Only full-time income of full-time students is included in the income calculation. A full-time student is a member of the household reported to the IRS as a dependent who is enrolled in a degree seeking program for 12 or more credit hours per semester; and part-time income is income earned on less than a 35-hour work week.
2. **Income from Real Estate** – If real estate owned by an applicant to the Program is a rental property, the rent is considered income. After deduction of any mortgage interest, real estate taxes, property owner insurance, and reasonable property management expenses as reported to the IRS, the remaining amount shall be counted as income.

## **OTHER ELIGIBILITY REQUIREMENTS**

Applicants must also submit the following in the application package as applicable:

1. Recorded deed to the property to be assisted;
2. If you are a widow or widower, copy of Death Certificate should be included;
3. Signed release form to verify eligibility determination from third party sources;
4. Copy of any and all other liens recorded against property; and
5. Personal identification (a copy of any of the following: Driver's license, Passport, Birth Certificate, Social Security Card, Adoption Papers, Alien Registration card, etc.) for each household member.

## **Eligibility Certification**

After the Administrative Agent determines that the household is income eligible and meets all other eligibility requirements, the Administrative Agent will complete and sign the eligibility certification. This certification is valid for twelve (12) months starting from the date of eligibility certification.