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DOCUMENTATION REQUIRED FOR A PROPERTY OWNER
APPLYING TO CJHRC FOR PURCHASE OR RENTAL OF AN AFFORDABLE HOUSING UNIT

Applicant(s) applying for an affordable housing unit that already own property should know that while we understand that the rules of the affordable program can be frustrating to you, we must adhere to the rules.

The affordable housing unit must be the applicant(s) primary residence at the time of closing. Owners that own property at the time they submit an affordable application, must be able to show that they will rent their existing property and can produce a lease (this annual rental income will then be counted) or they must show that they can sell the existing property. Sale of the existing property must happen on or before the purchase date of the new affordable lease start date or closing date of the affordable property.

To complete the affordable rental or purchase application, an applicant that owns a home, must produce documentation of a market value appraisal and outstanding mortgage debt. The difference between what the home is worth and what is still owed on the home shall be treated as the monetary value of the asset and imputed interest (using a current average annual savings interest rate) added to the income.

If the applicant household owns a primary residence with no mortgage on the property valued at or above the regional asset limit as published annually, a **certificate of eligibility shall be denied** by the Central Jersey Housing Resource Center (CJHRC) as the administrative agent, unless the applicant's existing monthly housing costs (including principal, interest, taxes, homeowner and private mortgage insurance, and condominium and homeowner association fees as applicable) exceed 38 percent of the household's eligible monthly income.

Copies of the following documents are required for those households owning real estate. These documents must be submitted with the affordable housing rental or purchase application:

1. Most recent tax bill or tax assessment statement
2. Latest mortgage statement showing the correct/current mortgage balance
3. The copy of a Market Rate Appraisal
4. Copy of the deed
5. Copy of a divorce decree, if appropriate
6. The applicant(s) must write a letter in regards to the property and its ownership, the letter should include the following: (the letter must be signed, dated and notarized and we require the original)
   - the property address and who owns the property
   - whether the property will be sold or leased, if the property is to be sold or leased the expected time frame of when the sale will occur or the lease will be signed.

A current average annual saving interest rate will be applied to the estimated net profit of the sale of the home, if the proceeds or a portion of the proceeds will be saved or invested.

If the property is or is expected to be utilized as a rental property, we will require the copies of the above, in addition to the following documentation:

1. Copy of the lease or rental agreement.
2. Verification of rental income from the property (rent from real estate is considered income, after deduction of any mortgage payments, real estate taxes, property owners insurance and reasonable property management expenses as reported to the Internal Revenue Service). Other expenses are not deducted. If actual rent is less than fair market rent, the administrative agent (CJHRC) shall input a fair market rent.

<u>RELEVANT RULES</u>

5:80-26.16 Household certification and referral; related project information

(a) The administrative agent shall secure all information from applicant households necessary and appropriate to determine that properly sized households with appropriate low- or moderate- income levels occupy restricted units. No household may be referred to a restricted unit, or may receive a commitment with respect to a restricted unit, unless that household has received a signed and dated certification, as set forth in this section, and has executed a certificate in the form set forth in Appendices J or K to this subchapter, as applicable.

(b) The administrative agent shall prepare a standard form of certification and shall sign and date one for each household when certified. An initial certification shall be valid for no more than 180 days unless a valid contract for sale or lease has been executed within that time period. In this event, certifications shall be valid until such time as the contract for sale or lease is ruled invalid and no occupancy has occurred. Certifications may be renewed in writing at the request of a certified household for an additional period of 180 days at the discretion of the administrative agent.

1. When reviewing an applicant household's income to determine eligibility, the administrative agent shall compare the applicant household's total gross annual income to the regional low- and moderate-income limits then in effect. For the purposes of this subchapter, income includes, but is not limited to, wages, salaries, tips, commissions, alimony, regularly scheduled overtime, pensions, social security, unemployment compensation, TANF, verified regular child support, disability, net income from business or real estate, and income from assets such as savings, certificates of deposit, money market accounts, mutual funds, stocks, bonds and imputed income from non-income producing assets, such as equity in real estate.

2. Except as otherwise specifically stated in this subchapter, the sources of income considered by the administrative agent shall be the types of regular income reported to the Internal Revenue Service and which can be used for mortgage loan approval. Household annual gross income shall be calculated by projecting current gross income over a 12-month period.

3. Assets not earning a verifiable income shall have an annual imputed interest income using a current average annual savings interest rate**.** Assets not earning income include present real estate equity. Applicants owning real estate must produce documentation of a market value appraisal and outstanding mortgage debt. The difference shall be treated as the monetary value of the asset and the imputed interest added to income. If the applicant household owns a primary residence with no mortgage on the property valued at or above the regional asset limit, a certificate of eligibility shall be denied by the administrative agent, unless the applicant's existing monthly housing costs (including principal, interest, taxes, homeowner and private mortgage insurance, and condominium and homeowner association fees as applicable) exceed 38 percent of the household's eligible monthly income.

4. Rent from real estate is considered income, after deduction of any mortgage payments, real estate taxes, property owner's insurance and reasonable property management expenses as reported to the Internal Revenue Service. Other expenses are not deductible. If actual rent is less than fair market rent, the administrative agent shall impute a fair market rent.

5. Income does not include benefits, payments, rebates or credits received under any of the following: Federal or State low-income energy assistance programs, food stamps, payments received for foster care, relocation assistance benefits, income of live-in attendants, scholarships, student loans, personal property such as automobiles, lump-sum additions to assets such as inheritances, lottery winnings, gifts, insurance settlements, and part-time income of persons enrolled as full-time students. Income, however, does include interest and other earnings from the investment of any of the foregoing benefits, payments, rebates, or credits.

(c) The administrative agent shall require each member of an applicant household who is 18 years of age or older to provide documentation to verify the member's income, including income received by adults on behalf of minor children for their benefit. Household members 18 years of age or older who do not receive income must produce documentation of current status.

(d) Income verification documentation may 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 consecutive pay stubs, not more than 120 days old, including bonuses, overtime or tips, or a letter from the employer stating the present annual income figure;
2. Copies of Federal and State income tax returns for each of the preceding three tax years;
3. A letter or appropriate reporting form verifying monthly benefits such as Social Security, unemployment, welfare, disability or pension income (monthly or annually);
4. A letter or appropriate reporting form verifying any other sources of income claimed by the applicant, such as alimony or child support;
5. Income reports from banks or other financial institutions holding or managing trust funds, money market accounts, certificates of deposit, stocks or bonds; and
6. Evidence or reports of income from directly held assets such as real estate or businesses.

(e) Court ordered payments for alimony or child support to another household**,** whether or not it is being paid regularly, shall be excluded from income for purposes of determining income eligibility.

(f) At the discretion of the administrative agent, households may also be required to produce documentation of household composition for determining the correct unit size and applicable median income guide.

(g) A certificate of eligibility may be withheld by the administrative agent as a result of an applicant's inability to demonstrate sufficient present assets for down payment or security deposit purposes, subject to development phasing that may provide opportunity for future savings.

(h) A certificate of eligibility may be withheld by the administrative agent as a result of an applicant's inability to verify funds claimed as assets, household composition or other facts represented.

(i) A certificate of eligibility shall be denied by the administrative agent as a result of any willful and material misstatement of fact made by the applicant in seeking eligibility.

(j) The administrative agent shall screen households that apply for low- and moderate-income housing for preliminary income eligibility, by comparing their total gross annual income to the regional low- and moderate-income limits adopted for that year.