

# Affordable Housing Insurance Pilot Program (“AHIP”) Guidelines

## I. Introduction

In response to increased costs in the multifamily housing insurance market, the Murphy Administration and the New Jersey Legislature have made available up to \$10,000,000 for “an affordable housing insurance pilot program to provide financial assistance to for-profit affordable housing entities for insurance premiums for coverage for eligible affordable housing projects” (P.L. 2024, c.4). This document sets forth the program guidelines, selection criteria, and funding prioritization for projects applying to the Affordable Housing Insurance Pilot Program (“AHIP”).

## II. Program Purpose

The program will provide financial assistance to partially reimburse the cost of insurance premiums for projects impacted by unexpected significant insurance premium increases not caused by the negligence or neglect of the project’s owner or management. AHIP does not provide an insurance product or assume any financial risk on the part of New Jersey Housing and Mortgage Finance Agency (NJHMFA/Agency). All responsibilities of the insured—deductibles, rate share changes, etc.—remain exclusively with the project. The final decision regarding selection of the insurance carriers and insurance coverages is the sole responsibility of the project.

## III. Eligible Applicant Entities

An applicant entity must meet the definition of “for-profit affordable housing entity” according to P.L. 2024, c.4, which means that the organization must be a corporation, partnership, or other organization in receipt of an allocation from the federal Low-Income Housing Tax Credit Program. The applicant entity must not be in default or noncompliant on any projects financed by the Agency or within the Agency’s oversight.

## IV. Eligible Projects

Projects must be multifamily rental housing with 100 percent of units deed-restricted to be “very low-income housing,” “low-income housing,” or “moderate-income housing,” as defined in section 5 of P.L. 1985, c.222 (C.52:27D-304), and meet one of the following criteria:

1. A newly constructed project that received tax-exempt financing from the Agency Revenue Bond Financing Program in conjunction with 4 percent Low-Income Housing Tax Credits. For the purposes of this program, “newly constructed project” shall mean a project that received a certificate of occupancy (“CO”) or temporary certificate of occupancy (“TCO”) within the five years preceding application to AHIP and that can demonstrate that premiums have increased by at least 50 percent over a 24-month period for the same insurance product. Projects that have utilized the Agency’s conduit bond financing program or any tax credit program administered by the New Jersey Economic Development Authority are not eligible for the AHIP program; or
2. An existing residential development currently in the Agency portfolio (i.e., monitored by the Division of Asset Management) in good standing, which shall mean that the project is not in violation of any of the terms of the regulatory agreement, and whose insurance premiums have increased by at least 50 percent over a 24-month period for the same insurance; or
3. An existing residential development in receipt of supplemental Agency financing from the Capital Improvement Assistance Program (“CIAP”) for rehabilitation or disaster recovery.

## V. Eligible Insurance Products

Insurance products must satisfy the following criteria:

1. Have premiums that increased by at least 50 percent, for the same insurance product, over a 24-month period within the five years preceding application to AHIP;
2. With the exception of projects eligible due to receipt of CIAP, comply with the Agency's Insurance Specifications & Minimum Requirements for Multifamily Residential Properties; and
3. Be project-specific (i.e., exclusive to the property, not associated with other locations).

## VI. Maximum AHIP Award Per Project

AHIP funding shall not exceed the increase amount, as noted in Section V.1., or \$250 per affordable unit per year, whichever is lower, and shall not exceed \$1 million per project in total assistance. Assistance shall be available for the term of the NJHMFMA mortgage, until March 30, 2044, or until the \$1 million maximum award amount is reached, whichever comes first.

## VII. Application and Award Process

Applicants shall submit a complete application to the Division of Risk Management/Special Programs Administration ("Risk Management" or "the Division").

A complete AHIP application shall include:

1. The non-refundable application fee of \$1,000;
2. Evidence of applicant eligibility pursuant to Section III above;
3. Evidence of project eligibility pursuant to Section IV above;
4. Copies of the executed UNIAP submitted when the project applied for Agency financing, the Board-approved Request for Action from when the Agency committed financing to the project, and the closing statement and Form 10 from when Agency financing closed;
5. An outline detailing the marketing efforts undertaken by the property management company, owner, or insurance broker, including the carriers approached and results achieved, demonstrating that they are actively pursuing the best insurance product and rates for their property;
6. Copies of the resulting insurance policies for the eligible project, as well as the loss run/claim history for the 24-month period over which premiums increased;
7. To ensure that potential availability of AHIP funding did not affect negotiation of policy rates, proof that the current insurance policies were identified, quoted, and accepted prior to seeking AHIP funding;
8. ACORD 25 and ACORD 28 or copies of previous insurance policies for the eligible project, evidencing that:

- a. The insurance products remained the same during a 24-month period within the five years preceding application and to the present;
  - b. Premiums increased by 50 percent or more during a 24-month period within the five years preceding application; and
  - c. For non-CIAP projects, that the insurance products comply with the Agency's Insurance Specifications & Minimum Requirements for Multifamily Residential Properties;
9. Any supplemental information, documentation, or clarifications requested by Risk Management, if the Division deems the application to be incomplete.

Upon review and approval by Risk Management of the provided insurance proposal, projects with complete applications will be deemed eligible to participate in AHIP, subject to Board approval.

Projects deemed eligible to participate in AHIP will be presented to the Board for approval on a first-come, first-served basis until either March 20, 2026, or all funding is committed. If all funds have not been expended by March 20, 2044, the pilot program shall terminate as required by statute.

## VIII. Program Administration

Risk Management shall determine project eligibility for AHIP in accordance with these guidelines, administer awarded funds, and disburse awarded funds in the form of reimbursements. AHIP recipients shall submit insurance premium invoices and proof of payment to NJHMFA prior to reimbursement being released from the dedicated escrow account.

The AHIP award shall be structured as a non-secured loan for the full award amount governed by an AHIP loan agreement. The loan shall be forgivable upon all awarded funds being distributed from the capitalized escrow account. The AHIP loan agreement shall stipulate that return of unused loaned amounts is required if the property is sold prior to participation being completed or if the project's participation is terminated by the Agency due to failure to comply with the program's reporting requirements.

For each AHIP recipient with NJHMFA financing, the Agency shall annually transfer the annual reimbursement amount to the project's insurance escrow amount until the award is fully distributed. The loan agreement shall terminate in the event the project is sold prior to the expenditure of the full award. For each AHIP recipient not previously in receipt of NJHMFA financing, the Agency shall set up and hold a dedicated account for annually distributing the annual reimbursement.

## IX. Reporting Requirements and Compliance

Project receiving AHIP shall:

1. Maintain good standing with all NJHMFA regulatory and policy requirements and ensure that no event of default shall exist under the Agency loan documents (verified annually);
2. Maintain sufficient cash reserves for payments of deductibles when needed;
3. Submit to Risk Management, within 90 days of final insurance premium payment each year:
  - o Insurance premium invoices;
  - o Proof of payment of insurance premiums in full.

Failure to comply with the aforementioned standards or submit required documentation by the annual deadline shall result in delayed release of escrow funds and warnings of termination of participation, which shall include cure date deadlines. Non-compliance continuing past the cure deadlines shall result in

cancellation of the AHIP award, termination of the escrow account, and repayment of the previously distributed funds.

If the project refinances with a source outside of NJHMFA financing, AHIP assistance to that project shall be terminated and the balance of the funds shall be reallocated through the Program.