



HOMEOWNER ASSISTANCE FUND

Overview and Program Planning Materials for Public Comment

OVERVIEW

On March 11, 2021, the American Rescue Plan of 2021 was enacted. Among its many provisions is the Homeowner Assistance Fund (HAF), designed to provide assistance to homeowners facing delinquency, default or foreclosure. * New Jersey has been allocated \$325.6 million from the Homeowner Assistance Fund by the United States Department of the Treasury (“U.S. Treasury”). In early May 2021, New Jersey received 10 percent of the HAF funds for use in connection with a pilot program. NJHMFA is preparing to submit large scale programmatic outlines for U.S. Treasury approval to receive the balance of the funding for use in assisting homeowners. As NJHMFA prepares to submit the required documentation to Treasury, the Agency seeks public comment on the Agency’s proposed use of HAF funds.

U.S. TREASURY HAF GUIDANCE

The U.S. Treasury HAF Guidance states that eligible HAF participants must be owner-occupants of 1- to 4-unit residences, with incomes that are less than 150% of the Area Median Income (“AMI”). At least 60% of the HAF funds shall be used to assist recipients at or below 100% of AMI. Further, U.S. Treasury requires that HAF Plans target assisting socially disadvantaged individuals, defined in the guidance as those coming from historically marginalized communities.

Eligible participants will be required to income certify. Homeowners must attest that they experienced financial hardship after January 21, 2020. The attestation must describe the nature of the financial hardship.

PROPOSED USES FOR PUBLIC COMMENT

NJHMFA proposes to establish and implement the Emergency Rescue Mortgage Assistance Program (ERMA). The program will be launched in two phases to provide direct mortgage support with payments to qualifying households to assist with mortgage arrears and may also allow for limited future monthly mortgage payments. In cases where there is no mortgage, but the homeowner is delinquent on property taxes, assistance will be provided to cover these arrears. NJHMFA proposes immediately establishing the framework for and disbursing up to \$10 million in a phase I pilot program. During this limited pilot, the program will be targeted to assist easily qualified, tracked, and managed loans within the existing NJHMFA portfolio. Both this pilot and the State-wide ERMA program will be supplemented by a robust housing counseling assistance program to improve outcomes and reduce costs for program participants and NJHMFA.

1) Emergency Rescue Mortgage Assistance Program (ERMA)

ERMA will provide up to \$35,000 to eligible New Jersey homeowners that have experienced an eligible financial hardship related to the COVID-19 pandemic. These funds will be available to assist with payment arrears (inclusive of mortgage principal and interest, property taxes, and homeowner’s insurance). NJHMFA is also contemplating whether to allow for some future monthly mortgage payments where COVID-19 related income losses persist beyond forbearance.

* - HAF also allows for assistance with utilities. It is anticipated that in NJ, utility assistance will be handled by another agency.

ERMA will launch in two phases. First, NJHMFA will introduce an intra portfolio pilot that efficiently advances the U.S. Treasury's stated guidance that FHA, VA, USDA, Mortgage Revenue Bond (MRB) loans and First-Time Homebuyers receive preference.

As NJHMFA begins the pilot and awaits final approval of the HAF Plan from U.S. Treasury, NJHMFA intends to conduct outreach with lenders, mortgage servicers, Housing Counseling Agencies and other community organizations; test the ERMA application portal and processes; improve data standardization, and streamline income qualification certification materials. This will allow the NJHMFA to gain a better perspective for how program design impacts consumers, mortgage services, and program administration staff. The launch of the pilot will allow NJHMFA to work with the families and institutions most familiar with our processes to refine the ERMA program before expanding to a broader applicant pool.

The Statewide ERMA will be implemented once NJHMFA receives authorization from U.S. Treasury to proceed to implement its HAF Plan. The Plan may be amended to capture changes resulting from any pilot-identified deficiencies or U.S. Treasury recommendations. NJHMFA proposes that ERMA will be available to all eligible New Jersey homeowners, regardless of loan servicer. A lottery process may be implemented, depending upon demand.

2) Housing Counseling Program

To enhance program coordination, outreach to eligible homeowners, and efficient use of funds, NJHMFA also proposes allocating HAF funds for housing counseling services. U.S. Treasury guidelines allow for up to 5% of HAF program funding to be allocated towards housing counseling services. The proposed HAF Housing Counseling Program will support homeowners with incomes at or below 150% of AMI who are experiencing financial hardships related to curing their primary residence default.

NJHMFA anticipates that certified housing counselors will compile application materials and assist in educating homeowners regarding all forms of Federal, State and Local assistance or alternative resolutions that may be available to them. Additionally, it is anticipated that the housing counselors will provide support to eligible households in interactions with both the lender and the courts. Working with housing counselors, particularly when foreclosure may be pending, empowers low- and moderate- income homeowners to access help and achieve outcomes that support long-term housing stability. The proposed HAF Housing Counseling Program will provide this support in an accessible and effective manner.

CONCLUSION

New Jersey homeowners could not have foreseen the unprecedented circumstances that have now left so many vulnerable to foreclosure. Providing direct mortgage assistance for Homeowners in need will help to ensure the recovery and stabilization of housing. Matching that support with robust counseling reduces the strain on these families in this trying time while improving their access and outcomes. Through the HAF program, NJHMFA can provide a widespread, rapid, and effective intervention that can be targeted and scaled as necessary. Your comments on these proposed uses are encouraged.

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