

Mercer County HOME Investment Partnerships Program



First Time Homebuyer Program Policies & Procedures Manual

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COUNTY OF MERCER

Home Investment Partnerships Program

FIRST TIME HOMEBUYER PROGRAM

POLICIES AND PROCEDURES MANUAL

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INTRODUCTION AND OVERVIEW

The following is the Mercer County HOME Investment Partnerships Program - First Time Homebuyer Program Policy and Procedures Manual as required by the U.S. Department of Housing and Urban Development (HUD). The purpose of this manual is to assist all individuals and interested parties in understanding the program's policies, procedures and functions. The objective of the program is to assist first-time homebuyers with downpayment and/or closing cost assistance in the form of a deferred loan.

The program operates within twelve (12) municipalities in Mercer County which includes: East Windsor Township, Ewing Township, Hamilton Township, Hightstown Borough, Hopewell Borough, Hopewell Township, Lawrence Township, Pennington Borough, Princeton Township, Robbinsville Township and West Windsor Township.

The First Time Homebuyer Program promotes homeownership for low and moderate income first time homebuyers. The program is intended to assist property purchasers by providing financial and technical assistance in purchasing a home for the first time.

I. ELIGIBLE PARTICIPANTS

Prospective homebuyers must meet the following requirements to be eligible to receive assistance:

- have not owned a home in the last three (3) years
- be a qualified low-income or moderate income household
- be the owner of the property after purchase
- occupy the property as their principal residence after the purchase
- attend certified housing counseling certificate courses
- property must be purchased within Mercer County (excludes the City of Trenton who receives independent HOME funds)
- must be a United States citizen or legal resident
- exception – a single parent or displaced homemaker

II. HOME INCOME LIMITS

The prospective homebuyer's household income must have an annual income equal to or less than 80% of the median income for the target area. The HOME Program utilizes the HUD Section 8 income limits. These limits are based on 80% of the area median income with adjustments for household size. These figures are revised by HUD on an annual basis and currently are as follows:

Mercer County HUD Section 8 Income Limits

Household Size	Income Limit*
1 person	\$55,950
2 persons	\$63,950
3 persons	\$71,950
4 persons	\$79,900
5 persons	\$86,300
6 persons	\$92,700
7 persons	\$99,100
8 persons	\$105,500

*incomes effective June 2021

III. ELIGIBLE PROPERTY

Any property that will serve as the prospective homebuyer's principal residence must include one of the following housing types:

- a single family property (one unit);
- a two-to-four unit property;
 - If HOME 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.
 - If HOME funds are used to help a purchaser acquire one or more rental units along with the homeownership unit, the HOME rental affordability requirements apply to the rental units.
- a condominium unit;
- a cooperative unit or a unit in a mutual housing project (if recognized as homeownership by state law); or
- A manufactured home.
 - At the time of ownership, the manufactured housing must be connected to permanent utility hook-ups.
 - The manufactured housing 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 for a period at least equal to the applicable period of affordability.

- Targeted Area: Property must be located in a municipality within the Mercer County Consortium, as described on the preceding page.

IV. MAXIMUM PROPERTY VALUE

The value of any homebuyer/homeowner-occupied property may not exceed 95 percent of the medium purchase price for that type of single-family housing for the Trenton-Ewing, NJ Metropolitan Statistical Area. The FY 2021 existing housing limits are based on combining two data sources: (1) FHA data purchase price of existing insured FHA; (2) Federal Housing Finance Agency (FHFA) data on purchase mortgages securitized by Fannie Mae and Freddie Mac. The median sales price as reported by HUD.

Mercer County 95% limit 1-Unit: \$242,000.00

V. ELIGIBLE COSTS

Acquisition Only: Eligible homebuyers may receive funds to purchase a home with downpayment and/or closing costs assistance only.

VI. LEVEL OF ASSISTANCE

The minimum level of HOME funds provided for the First Time Homebuyer Program is \$1,000 per transaction. The County's maximum level of HOME funds a homebuyer can receive towards a transaction is \$7,000. The funds can be used for a combination of downpayment and/or closing costs. The homebuyer will be encouraged to contribute up to three (3%) of their own funds toward the down payment. The County will assist with closing costs based on the demonstrated need by the lender or closing agent not to exceed total funds of \$7,000. Loans will be provided at zero (0) percent. Prepaid fees will not be reimbursed with closing costs. Assistance received from this program can not be combined or used in conjunction with assistance from any federal source.

Assistance that exceeds \$7,000 may only be granted upon review and approval of the Program Director for hardship circumstances. In an extraordinary circumstance, assistance will not exceed \$10,000.

Lenders are to provide thirty (30) year fixed rate mortgages. Lenders are encouraged to provide below market rate loans with zero (0) points. The County First Time Homebuyer Program will not approve loans that are not fixed, or exceed thirty (30) years.

VII. PROGRAM FINANCING

A. Terms and Conditions

The County will provide an interest-free, deferred loan not to exceed \$7,000. Loans will be payable to Mercer County upon transfer of property title. Loans are forgivable upon demonstrated six (6) years of successful occupancy from the date of ownership.

Recipients of HOME funds are required to maintain the unit as their principal residence for the duration of the deferred loan period. Annual certification is required during this period. In the event the property is sold or disposed of in any other manner, the HOME loan shall be immediately due and payable to the County according to the terms of the Mortgage and Mortgage Note.

B. Security Instruments

Deferred loans for all properties participating in the HOME program shall be secured through a Mortgage and Mortgage Note executed by the property owner. The County Housing and Community Development office will file said documents with the County Clerk's office upon the completion of the first mortgage transaction with the participating lender. The Mortgage and Mortgage Note will be executed at closing.

C. HOME Program Agreement

The homebuyer is required to execute a HOME Program Agreement with the Mercer County Home Investment Partnerships Program. The Agreement outlines the requirements set forth under 24 CFR Part 92. All agreements related to the HOME Program are prepared by County staff and County Counsel. The set of required agreements consist of loan agreements between the County and the property purchaser which outlines the terms and conditions of the HOME Program funding and costs, and mortgage and note executed by the property purchaser. The HOME Program Agreement is executed once the homebuyer obtains a written commitment from the first mortgage lender.

VIII. PROPERTY STANDARDS

The homebuyer property being acquired must meet New Jersey State and local housing code requirements and property maintenance standards. All codes and standards must be met at the time of occupancy. The County will require receipt of the municipal certificate of occupancy (CO) prior to the closing, where it is required. A physical inspection of the property is conducted to ensure code violations do not exist and to certify that adverse health or safety conditions do not exist. The County will conduct a visual inspection for defective paint surfaces in all units. Where flaking, peeling, chipping or cracking painted surfaces exist, in houses built prior to 1978, remediation will be required utilizing safe work practices as required by the Environmental Protection Agency (EPA) and the Housing and Urban Development (HUD). All health, safety and paint deficiencies will be required to be corrected prior to transfer of title.

A. Properties Purchased with Rehabilitation

Properties being purchased not meeting the above standards may qualify if the terms and conditions are adhered to as follows:

- 1) Property being purchase may not exceed an after rehabilitation value of \$242,000 as established by HUD. After rehabilitation value may be provided by the property appraiser or as determined by Mercer County.
- 2) At closing the borrower must sign an indemnification indicating agreement of work to be completed, homeowner cannot occupy the property during this period unless/until a current Certificate of Occupancy has been issued (if required) by the local municipality and the Mercer County Housing Inspector has signed off on occupancy.
- 3) The timeline for completion is six (6) months to complete all health and safety defects and nine (9) months to complete the rehabilitation from when the borrower closes on the mortgage. The work is to begin within 30 days after closing and is not to cease for a period of longer than 30 consecutive days.
- 4) The inspection process and approval of work:

- a) Prior to the loan closing an inspection is performed by the Mercer County Housing Inspector for code violations additionally health and safety issues.
 - b) A list of all violations is prepared including paint issues.
 - c) Upon completion of work, the borrower calls the Mercer County Housing Inspector to schedule a re-inspection.
 - d) At the site, the Housing Inspector completes the inspection to assure all violations and issues are completely remedied. The borrower signs the document acknowledging that the work items were completed in a professional manner.
- 5) Selection of the Contractor:
- a) The applicant selects their contractor.
 - b) If the residence was constructed prior to 1978 and a painted surface is to be disturbed, the contractor must provide certification demonstrating training in HUD lead paint safe work practices.
 - c) The contractor must be registered and have the proper builder/home improvement documentation.
 - d) The contractor must also have general liability insurance and workman's compensation if they have employees. A copy of the Contractor's Certificate of General Liability Insurance shall be provided to the Housing Inspector.
- 6) If the residence was constructed prior to 1978 and a painted surface was disturbed, a final dust wipe inspection must be performed and pass with safe levels of contamination.
- 7) If nonperformance or noncompliance is determined by Mercer County with the terms of funding, repayment may be required at that time.

IX. INCOME ELIGIBILITY REQUIREMENTS

The purchasing household must meet the required HUD Section 8 income limits as mentioned in Section II of this manual at the time of purchase.

A. Anticipating Income

The HOME Program regulations require that, for the purpose of determining eligibility for HOME assistance, income shall be projected in the future. Income shall be projected for a 12 month period, unless verified otherwise. Income need not be reexamined at the time HOME assistance is actually provided unless more than six months have elapsed since the initial determination, and the closing has occurred within that six (6) month period.

B. Verifying Income

The Home Program regulations require that, for the purpose of determining income eligibility, the following income must be examined: wages, salary, commissions, bonuses and tips from all jobs before deductions for taxes, bonds, dues, self employment income, interest and dividends income received from sources, Social Security, retirement pensions, SSI, public assistance payments, retirement, survivor, or disability payments, income from 401 (K)s, veterans benefits, unemployment compensation, child support or alimony payments. Mercer County utilizes the Census Long Form Annual Income format when determining income eligibility of applicants.

X. AFFORDABILITY PERIOD

The First Time Homebuyer Program affordability period is for six years from the time of initial ownership (title transfer).

A. Repayment/Recapture

Federal regulations for the HOME program specify certain requirements for resale restrictions or recapture provisions when HOME funds are used to assist with homeownership purchase, whether the purchase is with or without rehabilitation. The housing unit must be the principal residence of the household throughout the affordability period. To ensure affordability, the County has imposed the recapture mechanism to collect all of the direct HOME funds when the recipient decides to sell the house within the six (6) year affordability period. The following is exercised: (1) the homebuyer may sell the property to any willing buyer; (2) the sale of the property during the affordability period triggers repayment of the direct HOME funds that the buyer received when he/she originally purchased the home.

B. Amount of Repayment

Full repayment of the HOME funds is required when a resale occurs during the affordability period. However, if there are no net proceeds or insufficient proceeds to recapture the full amount of HOME funds invested, the amount subject to recapture will be limited to what is available from net proceeds (Net proceeds are the sales price minus superior loan repayments and any closing costs).

XI. **ADMINISTRATIVE PROCEDURES**

A. First Time Homebuyer Staff & Responsibilities

1) Program Director

- Represents the County on all policy and strategy matters and oversees the day-to-day operations of the program.
- Directs outreach and marketing in the target area.
- Approves applicants and provides necessary assistance.
- Approves public notices.
- Approves payment vouchers.

2) Program Manager

- Prepares public notices
- Prepares annual plans and reports
- Attends meetings and site visits
- Reviews payments
- Prepares information provided to public
- Attends various workshops and seminars

3) Program Underwriter

- Qualifies applicants
- Provides program information to the public
- Maintains and organizes all financial and programmatic files and documents.
- Communicates with lenders and closing agents
- Facilitates loan closings
- Ensures compliance with HUD rules and Regulations

4) Housing Inspector

- Inspects residential structures to ensure compliance with state and local code. Ensures the property to be purchased receives a visual inspection for defective paint surfaces in all units.

5) County Attorney

- Develops, reviews, and approves legal instruments and contracts.

6) County Treasurer

- Cosigns payments, approves vouchers, and maintains financial records.

7) Fair Housing Officer

- The Fair Housing Officer investigates initial allegations of housing discrimination, provides housing referral services and furthers affirmative marketing and outreach efforts.

B. Application Process

HOME Program staff is responsible for processing First Time Homebuyer applications. County staff will assist applicants in completing all required forms. Information requested in the application includes property data, financial information, household information, tax data, outstanding financial obligations, etc. Additional information includes an executed Contract of sale, annual household income, asset liability verification, social security cards and driver's license.

Applications are processed when received. The Program Coordinator will conduct an initial screening to determine the eligibility of the applicant. The initial screening is normally conducted by the phone or in person at the request of the applicant. Once the preliminary process is completed, and eligibility is determined, the Program Coordinator will schedule a meeting with the applicant to thoroughly inform them of their responsibilities and requirements under the program. Determine if the applicant Commitments are subject to availability of funds. Applications and information is made available at 640 South Broad Street, Room 109 or by calling the Mercer County Housing office at (609) 989-6858. Information is also made available on the Mercer County website at www.mercercounty.org.

Once eligibility is determined by the Program Coordinator, applicants are referred to a participating lender. Applicants are able to obtain mortgages from lenders who are not officially participants of the program. Outside lenders will be required to adhere to all program requirements.

Once the Program Coordinator determines the applicant is eligible, the Program Coordinator will communicate with the potential lender to ensure all program requirements are understood. With non-participating lenders, the Program Coordinator will provide information regarding the requirements. The applicant will be asked to sign an Information Release Form, which will allow the County to obtain documents third party.

The applicant will be required to be pre-qualified for a mortgage, have received credit counseling, and have executed a sales agreement prior to executing a HOME Program Agreement and receiving assistance from the County.

After the Program Coordinator has carefully reviewed the costs associated with the request, as well as the amount of financial assistance needed, a letter is sent to the homebuyer notifying him or her of the decision. A letter of notification will inform the homebuyer of their eligibility to receive financial assistance, the amount of assistance and any conditions under which the assistance is offered.

Funds will be disbursed from the HOME Program account in accordance with County procedures and federal and state regulations. These procedures and regulations are designed to assure that approved funds are properly expended on eligible homebuyer's costs, and are summarized as follows:

- 1) A lien will be placed on the property and recorded with the Mercer County Clerk's office to assure the First Time Homebuyer Program deferred payment loan is repaid in the event of a default under the loan terms and conditions during the loan's affordability period.
- 2) All payments will be made in accordance with the County's voucher payment procedures and will require proper verification and certification.
- 3) Certificate of occupancy documentation must be provided to the Program Coordinator at the time of final eligibility determination.
- 4) At the closing prior to disbursement of the County check, the homebuyer's attorney/closing agent must provide a signed HUD-1 RESPA form, and a Title Insurance binder.

The application, loan approval process, and the scheduling of a closing date can be estimated to take 6-8 weeks.

C. Affirmative Marketing

The County participates in various steps to make available information on the First Time Homebuyer Program to the public. The County partakes in actions to provide information to attract persons in the housing market area to available housing opportunities without regard to race, color, national origin, sex, religion, familial status or disability. The following steps are exercised:

- 1) Printed literature (brochures, pamphlets, newsletters, flyers, posters, etc) which all include the fair housing logo;
- 2) Advertisements in local newspapers and journals to include but not limited to: Trenton Times, Trentonian, Hamilton Post, Ewing Observer, Trenton Downtowner, Lawrence Gazette, Princeton Packet, etc;
- 3) Information provided on the Mercer County website;
- 4) Information provided to local community organizations, neighborhood groups, fair housing groups, counseling agencies, employment centers, etc.;
- 5) Posting at various County and Local Public Libraries;
- 6) Information posted with municipalities in the Mercer County Consortium;
- 7) Workshops and seminars conducted in the community;
- 8) Lender participation;

XII. OTHER ELIGIBILITY REQUIREMENTS

A. Homebuyer Counseling

Each qualified applicant will be required to attend an intensive homebuyer counseling and education workshop focusing on the budgeting process to meet monthly housing costs associated with being a homeowner. At a minimum, four (4) hours of counseling is required from a HUD certified counseling agency offered locally. A certificate is required once completed, and is valid for up to one year. Lenders are encouraged to recommend homebuyer counseling to prospective borrowers at their initial mortgage application.

XIII. MAINTENANCE OF RECORDS

The First Time Homebuyer Program will have three separate filing systems, which will dictate what information will be required to register completed files, to provide a commitment to a particular homebuyer, produce payments, and ongoing monitoring to ensure compliance with all program rules and regulations, policies and procedures. Those areas are as follows:

A. Programmatic Records

The Programmatic records will include HUD's HOME Program Grant Application; HUD's HOME Program contract; program procedures and policies; grant management plans; related monthly, annual, and special reports; related contracts; correspondences from HUD and related agencies; environmental records, affirmative marketing plan; etc.

B. Participant Records

The Participant records will contain information related specifically to the homebuyer. Participant information will include the collection of documents, forms, and eligibility data. Each participant file will contain information required by HUD regulations as applicable in the HOME Investment Partnerships Program 24 CFR Part 92, as amended, and requirements for each transaction consistent with the Mercer County underwriting guidelines. Each file shall include:

1. Mercer County First Time Homebuyer Application Pkt.
2. Applicant Income Information
3. Lender Commitment
4. Lender Application (FNMA 1003)
6. Two (2) years of Federal Tax returns w/ W2's
7. Verification of Employment
8. Two (2) months current bank statements
9. HOME Program Eligibility Release Form
10. Disclosure to Seller
11. Sources of Downpayment/Escrow Letter
12. Real Estate Appraisal (URAR)
13. Credit Counseling Certificate
14. Attorney's Closing Service Letter
15. Sales Agreement
16. Mercer County Mortgage
17. Mercer County Note
18. HOME Program Agreement
19. Closing Disclosure / ALTA settlement sheet

20. Home Owners' Insurance
21. Certificate of Occupancy/Smoke Detector Certification
22. Mercer County Housing Inspector Checklist
23. Lead Base Paint Visual Inspection

C. Financial Records

The Financial records will contain vouchers, payments, draw downs, payments from loan receipts, journals and ledgers.

XIV. LENDER PARTICIPATION

The Mercer County First Time Homebuyer Program annually solicits participation from local lenders who have an interest in assisting low income first time homebuyers. The County meets periodically with lenders to explain its First Time Homebuyer Program to discuss procedures, requirements, eligibility criteria, forms, subsidies, as well as the lender's role in the process. The County staff will develop an understanding of the products the lender offers, and how decisions are made.

Given the expertise of the local lenders in loan underwriting process, applicant will be pre-qualified by the lender. The lender will designate a loan officer to act as the liaison between the County and lender.

Lenders are encouraged to provide below market interest rates and required to provide thirty (30) year fixed rate mortgages. Adjustable rate mortgages will not be considered.

First time homebuyers are not required to utilize a participating lender. First time homebuyers may be assisted by others lenders, but all lenders will have to meet all the requirement of the program.

XV. SUBORDINATION/REFINANCING POLICY

The County of Mercer certifies that its policy for its recapture provision under the HOME program complies with CFR 24 Section 92.544 of the Final Rule that pertains to recapture vs. resale provisions.

With respect to the County First Time Homebuyer Program, the County has focused a tremendous effort on ensuring the homebuyer benefits tremendously from HOME assistance, thus improving the homeowner's equity position in the home for long period of time. The County has established the following with regards To subordination and refinancing:

- only one condition of subordination by the County of Mercer to second position will be approved – in the instance that the HOME assisted homebuyer refinances the property to improve his/her primary mortgage interest rate.
- the second mortgage may be subordinated to second position to the primary lender.
- the County of Mercer will not consider subordination for the following types of loans: equity, revolving, cash out, or other loans of any kind.
- the County of Mercer under any circumstance will consider no other subordination position.
- the full repayment of the HOME subsidy to the County of Mercer will be required if the homeowner does not remain the principal resident of the home for the length of the affordability period.
- the enforcement vehicle for this policy will be the second mortgage placed as a lien on the subject property.

Release from this requirement can only occur after the homeowner satisfies the full loan repayment as set forth in the Mortgage and Note executed at the closing.

FTHB Program Contacts:

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Jane Mari, Program Underwriter
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S A M P L E

**MORTGAGE NOTE
FIRST-TIME HOMEBUYER
Mercer County Consortium Home Program**

THIS MORTGAGE NOTE made this day of , between: , residing at , **NJ** the **Borrower(s)**, and the **COUNTY OF MERCER**, having offices at the Mercer County Administration Building, 640 S. Broad Street, PO Box 8068, Trenton, NJ 08650-0068 the **Lender**.

FOR VALUE RECEIVED, the undersigned **Borrower(s)** promises to pay in accordance with this Mortgage Note to the order of the **COUNTY OF MERCER-(HUD)** located at the Mercer County Administration Building, 640 S. Broad Street, PO Box 8068, Trenton, New Jersey 08650-0068 (**Lender**), the sum of: **Dollars 00/100 (\$0.00)** at no interest which **Lender** has loaned to the **Borrower(s)** under the **Lender's Mercer County Consortium HOME First-Time Homebuyer Program**, to purchase the property located at **NJ** more specifically known as Block # Lot # Qualifier No. **N/A** as shown on the current tax map of the of and described in the Mortgage signed on the same date as this Mortgage Note.

- A) The County shall provide a loan of **Dollars 00/100 (\$0.00)** which shall be forgiven **six (6)** years from the date of the Mortgage Note provided **Borrower(s)** continue to own and occupy the property as **Borrower(s)** primary residence for this **six (6)** year period and complies with all terms and conditions of this Mortgage Note, Mortgage, the Mercer County Consortium First-Time Homebuyer Deferred Loan Agreement, and the Mercer County Consortium First-Time Homebuyer Program guidelines and procedures.
- 1) **Borrower(s)** will promptly pay all mortgage costs, mortgage insurance, insurance, taxes, levies and assessments of the property.
 - 2) In accordance with this loan, **Borrower(s)** is responsible to pay the full amount of the loan at no interest to him/her. Payment must be made to the **Lender** within thirty (30) days if the **Borrower(s)** should die or if the **Borrower(s)** transfers title or rents the home to someone for any reason, in which event **Borrower(s)** or his/her heirs, executors or representatives must notify the **Lender** within ten (10) days by certified mail at the above address. Payment shall be made payable to the order of the **COUNTY OF MERCER (HUD)**.
 - 3) **Borrower(s)** agrees that, during the term of this Mortgage Note, **Borrower(s)** will keep the property in good repair and will not permit deterioration of the property.

- 4) **Borrower(s)** agrees to comply with all laws, ordinances, regulations, covenants, conditions and restrictions affecting this property.
- 5) The **Lender** or his/her agent may make reasonable inspection of the property provided that the **Lender** gives notice to the **Borrower(s)** prior to the inspection.
- 6) The **Borrower(s)** agrees to comply with the terms of the Mortgage, Mortgage Note, the Mercer County Consortium First-Time Homebuyer Deferred Loan Agreement and the **Mercer County Consortium HOME First-Time Homebuyer Program guidelines and procedures**. Should **Borrower(s)** fail to comply with any term of the Mortgage Note or the accompanying Mortgage, the Deferred Loan Agreement or the Program guidelines and procedures, the **Borrower(s)** will be in default and the entire loan shall be immediately due and payable. The **Lender** may also foreclose on the Mortgage. In the event of a foreclosure, **Borrower(s)** shall be responsible for all legal fees, costs of the suit and expenses of the foreclosure.
- 7) The Undersigned, if more than one, agree to be liable jointly and severally for the payment of all monies due under this loan.

Borrower(s) acknowledges that **Lender** has furnished **Borrower(s)** with a true copy of this document.

WITNESS:

BORROWER(S)

S A M P L E

**MORTGAGE
FIRST-TIME HOMEBUYER
Mercer County Consortium Home Program**

THIS MORTGAGE made this day of **2018**, between: , residing at , **NJ**, the **Borrower(s)**, and the **COUNTY OF MERCER**, having offices at the Mercer County Administration Building, 640 S. Broad Street, PO Box 8068, Trenton, NJ 08650-0068 the **Lender**.

The **Borrower(s)** has applied for monetary assistance under the **Lender's Mercer County Consortium HOME First-Time Homebuyer Program** for the purpose of purchasing a home in Mercer County, New Jersey. The **Lender** has agreed to grant the **Borrower(s)** a loan with deferred payments in the amount of: **Dollars 00/100 (\$0.00)** which shall constitute the total amount of the loan on which no interest shall be charged. Receipt of the loan is hereby acknowledged and is evidenced by a Mortgage Note which will be signed at the time of closing. The loan is to be repaid by the **Borrower(s)** in accordance with this Mortgage and subject to all the terms and conditions as listed in the Mortgage Note. The Mortgage will secure that the **Lender** will be repaid the monies loaned and any other costs or charges incurred for the purchase of the **Borrower(s)** property. To insure that **Borrower(s)** performs its obligations set forth in the Mortgage and Mortgage Note, the **Borrower(s)** hereby mortgages to the **Lender**, its successors and assigns the tract of land and premises located in the **County of Mercer, State of New Jersey**, **NJ** more specifically known as Block # Lot # Qualifier No. **N/A** as shown on the current tax map of the of . The premises were conveyed to **Borrower(s)** by Deed from .

The **Borrower(s)** agrees:

- 1) **Ownership-Borrower(s)** owns the property in fee simple and will defend his/her ownership against all claims.
- 2) **Payments**-He/she will make all payments required by the Mortgage Note and Mortgage.
- 3) **Insurance**-He/she will maintain extended coverage insurance on the property in an amount at least equal to the amount of the mortgage. Insurance companies, policies, amounts and types of coverage must be acceptable to the **Lender**. He/she will notify the **Lender** in the event of any substantial loss or damage.
- 4) **Repairs**-He/she will keep the property in good repair, neither damaging nor abandoning it. He/she will allow the **Lender** to inspect the property upon reasonable notice.

- 5) He/she will comply with all of the terms of the Mortgage, Mortgage Note and the Mercer County Consortium First-Time Homebuyer Deferred Loan Agreement and Mercer County Consortium First-Time Homebuyer Program guidelines and procedures. If any provision of this Mortgage is found to be inconsistent with the Mortgage Note, the terms of the Mortgage Note shall control.
- 6) **Lawful Use**-Use of the property shall be in compliance with all the laws, ordinances and other requirements of any governmental authority.
- 7) The **Lender** shall have all rights and remedies to insure repayment of the debt and to protect the **Lender's** security interest in the property.

The **Lender** may declare **Borrower(s)** in default on the Mortgage Note and this Mortgage if:

- a) **Borrower(s)** fails to make any payment required by the Mortgage Note and this Mortgage within 30 days after its due date;
 - b) **Borrower(s)** fails to keep any other promise he/she makes in the Mortgage Note or this Mortgage;
 - c) **Borrower(s)** transfer ownership of the property or rents it to someone for any reason;
 - d) The holder of any lien (debt) on the property starts foreclosure proceedings; or
 - e) Bankruptcy, insolvency or receivership proceedings are started by or against any of the **Borrower(s)**;
 - f) There is a default under a senior mortgage; or
 - g) **Borrower(s)** fails to comply with any term or condition set forth in the Mercer County Consortium First-Time Homebuyer Deferred Loan Agreement, the Mortgage Note, this Mortgage or the Mercer County Consortium First-Time Homebuyer Program guidelines and procedures.
- 8) **Rights given to the Lender-Borrower(s)** mortgage the property to the **Lender**. This means that he/she gives the **Lender** those rights stated in this Mortgage, also those rights the law gives to lenders of mortgages on real property. When he/she pays all amounts due to the **Lender** under this Mortgage and Mortgage Note, **Lender's** rights under this Mortgage will end. The **Lender** will then cancel this Mortgage at **Borrower(s)** expense.
 - 9) **Term**-This Mortgage shall be due and payable **six (6)** years from the date hereof unless the loan has been forgiven as provided for in the Mortgage Note.

- 10) The **Lender** may, in its discretion, subordinate the lien of this Mortgage to the lien of any home equity loan, secondary mortgage or refinancing to be procured by the **Borrower(s)**. The **Lender** reserves the right to deny any such request for the subordination of this Mortgage. A \$250.00 non-refundable document preparation and review fee will be charged by Mercer County Counsel at time of request for subordination of mortgage.
- 11) **Lender** consents to hold a second lien position on the real property which is subordinate in all respects to the liens, terms, covenants and conditions of the first lien held by the Senior Lien Holder, _____ also referred to as the Participating Financial Institution.
- 12) **No Waiver by Lender-Lender** may exercise any rights under this Mortgage even if **Lender** has delayed in exercising that right or has agreed in an earlier instance not to exercise that right. **Lender** does not waive its rights to declare that **Borrower(s)** is in default by making payments or incurring _____ expenses on **Borrower's** behalf.

THE BORROWER(S) HEREBY DECLARES AND ACKNOWLEDGES THAT THE BORROWER(S) HAS RECEIVED, WITHOUT CHARGE, A TRUE COPY OF THIS MORTGAGE.

IN WITNESS WHEREOF, BORROWER(S) acknowledges that he/she has signed and sealed the agreement and that Lender has furnished BORROWER(S) with a true copy of this document.

WITNESS:

BORROWER(S)

**INDIVIDUAL ACKNOWLEDGMENT
STATE OF NEW JERSEY (**

ss.

COUNTY OF MERCER (

On this _____ day of _____, 2018,

by me _____

personally appeared _____,

who I am satisfied is/are the person(s) named in and who executed this document, and who signed, sealed and delivered the same as his/her voluntary act and deed, for the purpose herein specified.

Record & Return to:
Mercer County Housing & Community Dev.
P.O. Box 8068, Trenton, NJ 08650

NOTARY PUBLIC

S A M P L E

**DEFERRED LOAN AGREEMENT
FIRST-TIME HOMEBUYER
Mercer County Consortium Home Program**

THIS AGREEMENT, made this day of , **2018** between **MERCER COUNTY**, having offices at the Mercer County Administration Building, 640 S. Broad Street, PO Box 8068, Trenton, NJ 08650-0068 (hereinafter referred to as "**County**") and (hereinafter referred to as "**Borrower**" and/or First-Time Homebuyer") whose principal address will be located in the **Township of** , County of Mercer, and the State of New Jersey.

WHEREAS, the County has received a grant in order to fund the Mercer County Consortium First-Time Homebuyer Program (HOME Program); and

WHEREAS, the First-Time Homebuyer has authorized Mercer County to administer said program; and

WHEREAS, the First-Time Homebuyer has submitted an application to the Mercer County Consortium First-Time Homebuyer Program for the principal goal of purchasing a home in Mercer County, New Jersey; and

WHEREAS, said application has been reviewed by the County's housing office and the participating financial institution and the First-Time Homeowner has been found to be eligible for assistance through the Mercer County Consortium First-Time Homebuyer Program; and

WHEREAS, the First-Time Homebuyer represents that he/she will use the funds solely to assist in purchasing a home as set forth herein and does not intend to convey, sell or otherwise transfer ownership of the property in the foreseeable future.

NOW THEREFORE, in reliance upon and in consideration of the mutual representations and obligations hereunder, Mercer County and First-Time Homebuyer agree as follows:

1. The First-Time Homebuyer has executed a purchase contract for the property located on Block No. Lot No. Qualifier N/A in the **Township of** , County of Mercer, and the State of New Jersey.
2. The First-Time Homebuyer represents that he/she has obtained a loan commitment and/or private funding for all costs over and above the amount of this Agreement necessary to purchase the home set forth in item number one (1) of this deferred loan agreement.
3. The County agrees to make available to the First-Time Homebuyer a Deferred Loan *not to exceed* the amount of **Seven Thousand Dollars and No/100 (\$7,000.00)** subject to the terms and conditions contained in this Agreement specifically set forth herein. The First-Time Homebuyer agrees to execute a mortgage and mortgage note as security for the deferred loan provided by the County.

4. The disbursement of County funds is conditioned upon execution of this Agreement by the First-Time Homebuyer. The County shall deliver to the attorney / settlement agent a County secured check made payable to the attorney / settlement agent, in an amount equal to the request of allowable closing costs the total *not to exceed* **Seven Thousand Dollars and No/100 (\$7,000.00)**.
5. The First-Time Homebuyer authorizes and directs the County to make payment of the Borrower's qualified funds as specified in item number three (3) of this Agreement directly to the Borrower's attorney / settlement agent, in trust for the Borrower as a Deferred Loan.
6. The First-Time Homebuyer shall cooperate with the County and the financial institution to facilitate the completion of the mortgage process.
7. The First-Time Homebuyer has been advised and understands that this Deferred Loan Agreement shall become null and void in the event the purchase contract is voided.
8. The First-Time Homebuyer delegates to the County or its designee the ultimate authority to resolve all disputes arising under this Agreement between the First-Time Homebuyer and the County. The determination of the County shall be final and binding on the Owner.
9. The First-Time Homebuyer agrees to comply with all local ordinances, regulations and statutes of the State of New Jersey and further agrees to indemnify and hold harmless the County of Mercer from any and all suits, claims, damages or actions arising out of the performance of this Agreement, including any legal fees and costs incurred. The term "County of Mercer" is defined to mean the County and all its officials, employees, agents and representatives, contractors and consultants.
10. Project Requirement.
 - (a) Maximum Purchase Price. The maximum purchase price of a home in Mercer County is currently **\$242,000.00** which is 95% of the median purchase price of single family home as established by the United States Department of Housing and Urban Development (HUD). Therefore, the purchase price of a home, which is **\$0.00** does not exceed the amount stated above. If HOME funds are used in conjunction with Mercer County's First Time Homebuyer Program, the purchase price of the home may not exceed the limits established under that program.
 - (b) Income Limits. The Borrower agrees that HOME funds cannot be loaned to anyone whose income exceeds 80% of the area median income (AMI) as mandated by 24 CFR Part 92. The Borrower certifies that their income of **\$0.00** is at or below 80% of Mercer County's AMI of **\$0.00**.
 - (c) The Borrower must occupy the property within sixty (60) days of closing on the first mortgage loan.
11. Borrower Occupancy Requirement: The Borrower must occupy the home as their primary residence as long as the HOME Loan remains on the property and throughout the affordability period as prescribed in 24 CFR Part 92.254(a)(4) and further described below in provisions (12) and (13) of this Homebuyer Agreement.

12. Affordability: The affordability period extends six (6) years from the date of the Note and Mortgage. The Borrower must occupy the home as their principal residence throughout the duration of the affordability period pursuant to 24 CFR Part 92.254(a)(4). Failure to comply with the provisions set forth constitutes a default and may result in repayment of the loan as referenced in provision (13) below.

13. Repayment/Recapture: Federal regulations for the HOME program specify certain requirements for resale restrictions or recapture provisions when HOME funds are used to assist with a homeownership purchase, whether the purchase is with or without rehabilitation. The housing unit must be the principal residence of the family throughout the period of affordability. To ensure affordability, the County has imposed recapture requirements conforming to the standards of 24 CFR 92.254, as stated herein. As it is the County's policy to recapture the HOME Funds Loan, the loan shall be required to be repaid in full if the property is sold within the six (6) year affordability period. However, if there are no net proceeds or insufficient proceeds to recapture the full amount of HOME investment due, the amount subject to recapture must be limited to what is available from net proceeds

14. Use of Funds: The HOME funds will be used only as down payment and closing costs assistance for the first mortgage loan.

15. This Deferred Loan Agreement expires sixty (60) days from the date of the signature(s) unless it is extended by written confirmation from the Mercer County Office of Housing and Community Development.

16. The First Time Home Buyer acknowledges receipt of the Mercer County First Time Homebuyer Program Policies and Procedures manual wherein the program guidelines have been described and the First Time Homebuyer agrees to accept and abide by said guidelines.

HOME BUYER(S)

Signature: _____

Witness Signature: _____

Print Name: _____

Printed Name: _____

Date: _____

Date: _____

Social Security Number: _____

Signature: _____

Witness Signature: _____

Print Name: _____

Printed Name: _____

Date: _____

Date: _____

Social Security Number: _____

Date of Acceptance by the Mercer County Office of Housing & Community Development

Signature: _____

Date _____

Printed Name & Title: **Edward M. Pattik, Director**