

Smart Move Program Phase II: Homebuyer Assistance Policy

9.8.2023



DIVISION OF
Disaster Recovery
& Mitigation

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Version History and Version Policy

The version history of the policy manual is tracked in the table below, with notes for each change. The dates of each publication are also tracked in the table.

The State will publish a new version after making substantive changes that reflect a policy change. The updated policy manual will be assigned a new primary version number such as 2.0, 3.0, etc.

After making non-substantial changes, such as minor wording and editing or clarification of existing policy that do not affect the interpretation or applicability of the policy, the State will publish a version of the document with a sequential number increase behind the primary version number such as 2.1, 2.2, etc.

Amendments made to policy may go into effect on the date of the revision or may be applied retroactively, depending on the applicant pipeline and status of applicants in the program intake and recovery process. Whether a policy will be applied proactively or retroactively will be detailed in the version history below and/or within the relevant program sections.

Version Number	Date Revised	Key Revisions
1.0	8.8.2023	Smart Move Program Phase II Homebuyer Assistance Policy Manual



1 PROGRAM OVERVIEW

1.1 Program Description

The State is piloting the Smart Move Program to subsidize the new development of quality, energy-efficient, resilient, and affordable housing in lower risk areas within or near disaster-impacted communities that are participating in Blue Acres or other buyout programs that are supported by different funding sources. DCA will work with developers to build new developments outside the 500-year floodplain. Once the construction of the new developments are nearing completion, Phase II of the Smart Move Program can begin. The purpose of the Smart Move Phase II Homebuyer Assistance is to provide assistance to purchase safe housing and relocate residents impacted by storm disasters so they may stay in or near their communities after selling high-risk properties through the Blue Acres Buyout Program and provide homeownership opportunities for eligible first-time homebuyers. More information on what qualifies as a first-time homebuyer is discussed in Section 3.2.2.

While the Program will serve Blue Acres participants and first-time homebuyers, the Blue Acres participants will be prioritized.

In the efforts to ensure the objectives of the program are met, DCA will provide down payment assistance to homebuyers participating in the Blue Acres Buyout Program and to first-time homebuyers seeking to purchase a Smart Move home. Homebuyer assistance provided by the Program is exclusive to homes that are constructed through the program. The downpayment assistance provided through the Program must be used to purchase a home constructed through the Program. Homes listed for resale on the Multiple Listing Service (MLS) or housing unit constructed as part of another development/program are not eligible for downpayment assistance through Smart Move.

After reading the policy in its entirety, additional questions can be directed to: SmartMove@dca.nj.gov

1.2 DCA's Commitment to Fair Housing

DCA is committed to further fair housing and meet goals to ensure that all potentially eligible applicants are aware of the opportunity to participate in the Program. Therefore, DCA will engage in an outreach campaign prior to and during the application period. DCA will comply with all applicable Federal and local fair housing requirements including:

- ▶ Fair Housing Act (Title VIII of the Civil Rights Act of 1964);
- ▶ Title VI of the Civil Rights Act of 1964;
- ▶ Section 504 of the Rehabilitation Act of 1973;
- ▶ Section 109, Title 1 of the Housing and Community Development Act of 1974;
- ▶ Title II of the Americans with Disabilities Act of 1990;
- ▶ Architectural Barriers Act of 1968;
- ▶ Age Discrimination Act of 1975; and
- ▶ Title 6 of the Education Amendments Act of 1974



The multi-media outreach program includes special outreach to LMI (below 80% AMI) households, minority households, and others identified as “least likely to apply” for assistance. In accordance with the requirements of Section 504 of the Rehabilitation Act of 1973, DCA will make reasonable accommodations to ensure access to the Program for persons with disabilities. These accommodations may include providing alternative methods of compliance with program requirements, such as conducting home visits for individuals unable to travel and/or providing additional assistance in the completion of the application and program forms.

1.3 Program Administration

The Department of Community Affairs (DCA), Division of Disaster Recovery and Mitigation is responsible for implementing phase II of the Smart Move Program.

1.3.1 Coordination with the Blue Acres Buyout Program

Coordination of the Smart Move Program with other housing recovery programs such as Blue Acres Buyout Program must be critically managed to ensure the national objectives of each respective program are met. The buyout provisions offered by the Blue Acres Buyout Program is a great tool for assisting with recovery and restabilizing impacted households/individuals.

The Smart Move new construction units can be utilized to meet that permanent housing requirement for the buyout program, the national objective for Smart Move will be achieved through the Low-Moderate Housing (LMH) and Urgent Need (UN).

Given the nature and timelines associated with the development of new construction, the launch of the Blue Acres Program may significantly precede that of Smart Move. DCA, in collaboration with the subrecipient and developer, will formulate strategies to properly engage the Blue Acres Buyout Program participants throughout the Smart Move development process.

2 APPLICATION AND PRIORITIES

2.1 Application Process Overview

This section provides an overview of the application process. In this document, the term “homebuyer” and “applicant” will be used interchangeably when referring to homebuyer participants within the Program.

2.1.1 Application Method

Homebuyers may submit applications through various methodologies, including:

- ▶ Online through <https://www.nj.gov/dca/ddrm/>
- ▶ Call 609-292-3750 to receive a paper application and/or schedule an appointment to complete the application over the phone, virtually or in person.



The method of application does not affect the applicant's status or likelihood of award. Electronic signatures for submitting applications are acceptable. If the registrant has a power of attorney, the original POA documents must be provided to the Program in person or via certified mail.

During the application process, applicants may select the Smart Move developments they would like to relocate to in order of their preferred locations.

Any applications that are started but not completed and not submitted by the end of the application period may be withdrawn. The Program will make attempts to contact the applicant to assist with application completion within this period and prior to the applicant being withdrawn.

2.1.2 Application Period

The application period will be open for 60 days. At the close of the application period, DCA will conduct an initial review of applications to verify eligibility criteria and homebuyer selections will be made based upon the order of priority established in Section 2.1.3. If the Program is oversubscribed at the time of the initial review of applications, a lottery/randomized selection process may be used based on the defined prioritization criteria. In the event the number of eligible applications received during the initial application period is inadequate to fully absorb all of the available housing units, the application window may be re-opened, and applications will be processed using the established order of priority.

Selection for processing is not a determination of eligibility or a guarantee of funds. Eligible applicants not in the initial phase will be placed on a waiting list to be considered for funding during subsequent funding phases. All awards are subject to funding availability.

The Program reserves the right to reopen or extend the application period.

2.1.3 Application Prioritization

DCA will facilitate the application review and homebuyer selection process. At least 70% of the homes within each development must be sold to households with incomes at or below 80% of AMI. The remaining 30% can be sold to households above 80% AMI but not to exceed the Program limit of 120% AMI. Every effort will be made to keep the 70/30 ratio within each development. In addition to meeting this programmatic goal, DCA will prioritize the following households:

- ▶ **Priority #1:** Households participating in the Blue Acres Program within the jurisdiction of the Smart Move New Housing Development area. This priority approach provides opportunities for relocating residents to remain in lower risk areas within their communities.
- ▶ **Priority #2:** Ida-impacted households who are relocating through a Blue Acres Program in another jurisdiction and/or Ida-impacted qualified first-time homebuyers with incomes at or below 120% of AMI. This priority approach provides opportunities for storm-impacted homeowners and renters to relocate to lower risk areas.



DCA and its partners will make reasonable accommodations to ensure access to the Program for persons with disabilities.

2.1.4 Application Waitlist

In the case there are more applications than funding, applicants will be put on a waitlist according to their household income. If more funding becomes available, the State may follow a randomization process and notify those applicants by email and in writing. Applicants who have successfully applied will be notified of their program status.

2.2 Housing Counseling and Legal Services

Housing counseling and legal services are available at no cost to Ida impacted residents, vulnerable populations, and members of underserved communities to expedite their recovery. These services will provide application, documentation, and long-term housing planning wraparound and referral services that may be needed for vulnerable populations as they continue their recovery, including survivors who are not experiencing homelessness but require supportive housing (e.g., elderly, frail elderly, persons with disabilities [mental, physical, developmental], formerly incarcerated persons), victims of domestic violence, persons with alcohol or other substance-use disorder, persons with HIV/AIDS and their families, and public housing residents.

Housing counseling organizations may provide supportive services, including, but not limited to, foreclosure prevention, homebuyer financial counseling, relocation advisory services, debt management, and assistance with application intake for CDBG-DR-funded programs. The services also may provide support to navigate insurance requirements, State programs, application submittal, and any technology gaps.

Legal services will be carried out through qualified legal services providers to deliver recovery-related legal counseling such as working through insurance claims; clearing property titles; working through heirship and probate; fighting unlawful evictions and foreclosures; combating contractor scams, disputes, and fraud; assistance with school transfers; and other legal services needed for applicants to complete their recovery.

Housing and legal counseling services are required for all applicants and anyone that will be living in the home, contributing to household expenses – going on title or not. As part of the eligibility process, homebuyers must complete housing counseling and education course and receive a certificate of completion.

2.3 Withdrawn Applications

If an applicant chooses to voluntarily withdraw or is administratively withdrawn from the Program, the applicant is required to return ALL previously disbursed grant award funds back to the Program.

2.3.1 Voluntary Withdrawals

Applications may be withdrawn by an applicant at any time. Applicants who wish to withdraw must clearly provide a written notice of their intent to voluntarily



withdraw and return any CDBG-DR funds. DCA will send the applicant a written notice of acknowledgment of voluntary withdrawal.

2.3.2 Administrative Withdrawals

Applications may be administratively withdrawn for some of the following reasons:

- ▶ Any applicants that fail to provide required documentation or information within the deadline described in the written request. Applicants will receive a notice giving them fifteen (15) days to provide the required information.
- ▶ The program confirms that an application is a duplication of another valid application or conflicting Program.
- ▶ An applicant is determined to have provided false or misleading information.
- ▶ An applicant becomes unresponsive.
- ▶ An applicant is aggressive and/or abusive as described in the definitions section to a DCA employee or any other representative or affiliate of the Program, including, but not limited to, Program Representatives.

2.3.3 Withdrawal Reinstatement Requests

Applicants who have been withdrawn from the Program may submit a written request for reinstatement, based on extenuating circumstances. The request will be reviewed and approved by DCA on a case-by-case basis. DCA will consider an applicant's responsiveness to Program correspondence or requests for documentation when making the reinstatement determination.

3 ELIGIBILITY

3.1 National Objectives

Per 87 FR 31636, HUD requires States to comply with the overall benefit requirements in the Housing and Community Development Act of 1974 (HCDA) and 24 CFR 570.484, 24 CFR 570.200(a)(3), and 24 CFR 1003.208, which require that 70 percent (70%) of funds be used for activities that benefit low- and moderate-income persons. To meet that requirement, this program will primarily use the Low-Moderate Income Persons and Households National Objective. The Program may use the Urgent Need National Objective to provide assistance to eligible disaster-impacted applicants with incomes greater than 80% of AMI.

3.2 Applicant Eligibility

To meet the minimum criteria, homebuyers must meet the following:

- ▶ Homeowners whose home was acquired through a Blue Acres Buyout or other buyout program, or Ida-impacted first-time homebuyers with household incomes at or below 120% of AMI
- ▶ Meet all loan requirements (i.e., income, down payment and reserve requirements, minimum credit scores, underwriting criteria, etc.) of an approved lender and mortgage insurer to secure a 30-year fixed, first mortgage loan;
- ▶ Completed the HUD Certified Housing Counseling;



- ▶ Occupy the property as principal residence and move in within sixty (60) days of closing escrow;
- ▶ Other requirements as specified by the Program.

3.2.1 Ida-Impacted Residents

To be prioritized for Program assistance, the applicants' impacted home must be located within one of HUD's Most Impacted and Distressed Counties (HUD-MID) for Ida CDBG-DR funding. Those counties are Bergen, Essex, Gloucester, Hudson, Hunterdon, Mercer, Middlesex, Morris, Passaic, Somerset, Union, and Warren.

As funds allow applicants who are located outside of the counties listed above may have the opportunity for Program assistance.

3.2.2 Definition of First-Time Homebuyers

The following criteria classifies first time homebuyers:

- ▶ Individuals who have had no ownership in a principal residence.
- ▶ Single parents who have only owned a property with a former spouse while married.
- ▶ Individuals who are displaced homemakers and have only owned with a spouse.
- ▶ Individuals who have only owned a principal residence not permanently affixed to a permanent foundation in accordance with applicable regulations such as a mobile home.

3.2.3 Blue Acres Participants

DCA will prioritize qualified primary residential occupants who sold their high-risk owner-occupied homes through the Blue Acres Buyout Program. Program Representatives may request documentation certifying the applicant's home will be voluntarily bought out by the Department of Environmental Protection (DEP) or their designee for current fair market value (post-storm value).

3.2.4 Lawful Presence

Verification of lawful presence will be mandated through the mortgage loan qualifying process.

3.3 Eligible Costs

Homebuyer assistance will only be provided to those who purchase a home provided by the Program. Reimbursement of any home purchased outside of the Program will not be eligible. Eligible costs include:

- ▶ Purchase assistance
- ▶ Purchase Price Discount
- ▶ Down Payment Assistance



3.4 Eligible Activities

3.4.1 Purchase Assistance

To make the homes affordable, Program participants will be offered assistance with purchasing the home, the assistance will be in the form of a purchase price discount and down payment assistance.

3.4.2 Purchase Price Discount

The purchase price discount is a reduction on the sales prices of the home, making the price of the home lower than the market sale price and will be more affordable to lower income households. While the discount affects the sales price of the home, DCA has designed the Program to ensure, to the best of its ability, that the discounts do not affect the value of the home nor the value of the other homes within its market. DCA will provide an incentive to the developer during the construction of the home to enable the developer to sell the home at a discounted rate.

Below is a table of the proposed purchase price discounts, based upon national objective/AMI of household using anticipated sales prices. This is only an example and actual incentives, discounts, and sales price will only be determined after the phase 1 applications are received.

Single-Family Detached										
Sample Incentives, Purchase Price Discounts, and Max Sales Price (subject to change)										
		2 Bedroom			3 Bedroom			4 Bedroom		
National Objective	% of Incentive	Sales Price	Purchase Price Discount	Max Sales Price to Buyer	Sales Price	Purchase Price Discount	Max Sales Price to Buyer	Sales Price	Purchase Price Discount	Max Sales Price to Buyer
LMI	50%	\$375,000	\$187,500	\$187,500	\$450,000	\$225,000	\$225,000	\$550,000	\$275,000	\$275,000
UN	33%	\$375,000	\$123,750	\$251,250	\$450,000	\$148,500	\$301,500	\$550,000	\$181,500	\$368,500
Market Rate	0%	\$375,000	\$0	\$375,000	\$450,000	\$0	\$450,000	\$550,000	\$0	\$550,000

3.4.3 Down Payment Assistance

The Program will provide up to twenty percent (20%) of the market sales price as down payment assistance for homebuyers with AMI below 80% and up to ten percent (10%) for UN homebuyers with AMI between 80-120%. Up to an additional five percent (5%) may be provided as a hardship exception for households experiencing difficulty. The hardship exception will be determined on a case-by-case basis as determined by DCA.

The amount of actual assistance will be determined based on need during the underwriting and first mortgage loan approval process. The Program is unable to



provide down payment assistance to homebuyers purchasing any of the market rate units within the development as those homebuyers may not meet the LMI (below 80% AMI) or UN (AMI between 80-120%) national objective.

3.4.3.1 Demonstrated Need

The down payment assistance shall not exceed the 10% and 20% limits, adjusted by national objective, except where the hardship provision is applied, and must be need based. The need calculation helps ensure that homebuyers are not over subsidized, but also ensures the appropriate level of assistance is provided to secure affordability.

The first mortgage lender's underwriting process and loan amount will be used to determine the level of down payment assistance needed. Many factors will be used in the calculations such as the first mortgage amount the homebuyer qualifies for, front and back-end debt-to-income ratios, savings and other resources available to the homebuyer, purchase price discounts, and any previous assistance received by the homebuyer that may pose a risk of DOB. These and other factors may impact a homebuyer's first mortgage loan amount, the down payment assistance amount, and overall homebuyer eligibility.

3.4.3.2 Use of Downpayment Assistance

The down payment assistance funds may be used to:

- ▶ Provide up to one hundred percent (100%) of any down payment required, not to exceed Program limits or demonstrated need;
- ▶ Pay reasonable closing costs normally associated with the purchase of a home; and,
- ▶ Other costs deemed practical and reasonable by DCA to facilitate the home purchase.

3.4.4 Forgiveness/Repayment of Purchase Assistance

The purchase price discount and down payment assistance are designed to encourage long-term affordability for the homebuyer and incentivize the homebuyer to remain in the property long term, thus, the total purchase assistance provided to the homebuyer to acquire the home may be fully forgivable but may be subject to repayment under certain conditions (i.e., property is sold prior to 15 years of homeownership, homebuyer violates agreement, etc.).

The combination of the purchase price discount and any down payment assistance will be in the form of a 15-year, zero percent (0%) interest loan with no required monthly payments. A promissory note and deed of trust will be executed by the homebuyer at the time of purchase for the full amount of the purchase assistance which is the total of the purchase discount and the down payment assistance. The loan will take a junior position to the first mortgage loan and is fully forgivable based upon compliance with Program requirements and the forgiveness schedule discussed in Section 4.2.



3.4.5 Underwriting Ratios

Applicants must meet the underwriting criteria of the first mortgage lender, however, the Program's priority is that of affordability for the homebuyer. The ideal underwriting ratios are as follows, homebuyers must meet both ratio requirements:

- ▶ The homebuyer's proposed monthly housing costs including principal, interest, property taxes, property insurance (PITI), known as the front-end ratio shall not exceed thirty-one percent (31%) of the homebuyer's gross monthly income; and
- ▶ The homebuyer's proposed housing costs, **plus** all other household monthly debt reflected on credit report (i.e., automobile payments, credit cards, personal loans, student loans, etc.), known as the back-end ratio or debt-to-income (DTI), must not exceed forty-three (43%) percent of the homebuyer's gross monthly income.

There are many underwriting considerations that may justify the use of higher DTI ratios such as compensating factors and special considerations (i.e., documented reserves, installment accounts with less than ten (10) months remaining, residual income, etc.). When such factors exist as determined by the first mortgage lender, DCA may allow the use of higher ratios. Given the various mortgage loan products and loan types (i.e., conventional, FHA, VA, etc.). DCA will give deference to the first mortgage lender's credit underwriting guidelines to ensure the best loan is provided to the homebuyer.

3.5 Verification of Ownership

Whenever possible, ownership will be verified by title searches in public records. Deeds or other legal documents will be reviewed on a case-by-case basis.

3.6 Occupancy and Primary Residency

The homebuyer(s) must reside in the home as their primary residence for the duration of ownership during the affordability period. The homebuyer shall not rent or lease all or any part of the home. There will be annual Program monitoring to verify ownership compliance.

3.7 Definition of a Second Home

Per the requirements in the Consolidated Notice 87 FR 31636, properties that served as second homes at the time of the disaster, or following the disaster, are not eligible for assistance for rehabilitation, reconstruction, new construction, replacement, or incentives. A second home is defined as a home that is not the primary residence of the owner, a tenant, or any occupant at the time of the disaster or at the time of application for CDBG-DR assistance.

3.8 Duplication of Benefits

Applicants must report all assistance they have been awarded or have available from third-party sources such as flood and homeowner's insurance, Increased Cost of



Compliance (ICC), Federal Emergency Management (FEMA) assistance, loans from the Small Business Administration (SBA), and any assistance from other government or private non-profit sources. For additional policy and procedures regarding the duplication of benefits under the Program, please refer to 2.10.1 Duplication of Benefits Policy. Any funds received from these sources and used for the same purpose must be considered when the amount of assistance is determined. Funds received from these sources for other purposes such as temporary housing and replacement of household contents are not considered a DOB. Personal funds or private mortgages are not considered in the DOB calculation. Applicants must agree to subrogate (commit to the State) any future payments they may receive after the award amount is determined from sources that represent a potential DOB. The subrogation agreement, included as an exhibit in the grant agreement, requires the homebuyer to notify the State if additional funds are received and to assist the State in collecting any amounts owed to the homebuyer from these sources. An example home buyer application DOB questionnaire will be added to Appendix C along with a subrogation agreement when complete.

Duplication of Benefits will be analyzed to determine if the applicant has an unmet need which can be addressed with Down Payment Assistance.

Examples of DOB for the Smart Move Program could include but are not limited to:

- ▶ Down Payment Assistance from other programs
- ▶ SBA Assistance
- ▶ FEMA Assistance
- ▶ ICC Assistance

The following table provides an example for assistance:

$$\begin{aligned}
 &\text{Program Maximum Down Payment Assistance (See Section 3.4.3)} \\
 &\quad - \text{DOB funds (examples listed above)} \\
 &\quad = \text{Down Payment Assistance}
 \end{aligned}$$

3.8.1 Blue Acres Participants DOB

For homebuyers that are also Blue Acres participants, there will be additional considerations when calculating DOB such as:

- ▶ Net proceeds from the sale of the property to the Blue Acres Program
- ▶ Incentives provided by the Blue Acres Program not to exceed the Smart Move Program cap.

An example calculation for Blue Acres Participants is detailed below:

$$\begin{aligned}
 &\text{Program Maximum Down Payment Assistance (See Section 3.4.3)} \\
 &\quad - \text{DOB funds (examples listed above)} \\
 &\quad \quad - \text{Blue Acres Net Proceeds} \\
 &\quad \quad - \text{Blue Acres Incentives} \\
 &\quad = \text{Down Payment Assistance}
 \end{aligned}$$



Note: An example of the DOB Benefit Questionnaire is located in Appendix C

3.9 Income Verification

Income is used to classify households as either LMI households (AMI below 80%) or non-LMI households (AMI between 80-120%) based upon the income limits published by HUD.

The income of all household members is evaluated when determining eligibility. The following persons are considered household members:

- ▶ All adult household members living in the unit except live-in aides and foster adults.
- ▶ All children living in the unit except foster children. Children who are in the process of being adopted are included. Children who occupy the unit at least fifty percent (50%) of the time under a shared custody agreement are counted. Children who are away at school but live in the household during school recesses are included.
- ▶ Guests or others staying in the unit on a temporary basis are not counted as household members.

The income definition used for the Program is the definition of annual income as defined by IRS Adjusted Gross Income. Applicants certify total household income on the application. Applicants will be asked to provide:

- ▶ Income Certification Form for your entire household an example can be found in Appendix Band;
- ▶ Most recent Federal Tax Return for each household member who files taxes.

Income limits are used to determine household eligibility for Program participation and are based upon geographic location of the Smart Moves home. LMI households must not exceed 80% AMI and UN households must not exceed 120% AMI limits. The income limits for the county of the applicant's place of residence at the time of application will be used to determine eligibility. The limits are published annually by HUD and can be found here: [CDBG Income Limits – HUD Exchange](#).

Applicants whose household income exceeds 120% AMI at the time of the application are ineligible for financial assistance through the Program. Applicants will be notified in writing of their ineligibility and offered an opportunity to appeal the decision in accordance with the appeals policy.

4 MORTGAGE LOAN REQUIREMENTS

4.1 First Mortgage Loan

The Program participant must be able to qualify for and secure a first mortgage loan in an amount not less than the discounted home sales price further reduced by the program's down payment assistance.



The following table provides an example for a home sold to a LMI (below 80% AMI) household:

Market Sales Price	
- Purchase Price Discount	(50% of Market Sales Price)
- Down Payment Assistance	(up to 20% of the Market Sales Price)*
= Minimum First Mortgage Amount	

*Down Payment Assistance will be based on first mortgage loan underwriting as detailed in Section 3.3.3.

The following table provides an example for a home sold to a household with an AMI between 80%-120%:

Market Sales Price	
- Purchase Price Discount	(33% of Market Sales Price)
- Down Payment Assistance	(up to 10% of the Market Sales Price)*
= Minimum First Mortgage Amount	

*Down Payment Assistance will be based on first mortgage loan underwriting as detailed in Section 3.3.3.

The loan must be a 30-year, fixed interest rate loan. Conventional, FHA and VA forms of financing are acceptable. Given the Program’s assistance with down payment, FHA loans are not excluded from the program. The first mortgage lenders must collect, manage, and make appropriate and timely disbursement from an escrow account established for the homebuyer for the payment of taxes, assessments, and property insurance for the full term of the loan.

4.2 Affordability Period

The affordability period must meet or exceed applicable HOME requirements in 24 CFR 92.254(a)(4), based upon the amount of assistance provided. Federal regulation requires DCA to impose a 15-year affordability period on every Program funded home developed through the Program.

4.2.1 Affordability Restrictions

To enforce the affordability restrictions, at the time of the initial sale DCA will require the homebuyer to execute the following:

- ▶ Promissory Note in the amount of the total assistance received to purchase the home inclusive of any purchase price discounts and down payment assistance;
- ▶ Deed of Trust;
- ▶ Deed Restriction memorializing the recapture provisions; and,
- ▶ Homebuyer Agreement that will define the terms and conditions of the loan (i.e., affordability period and restrictions, recapture provisions, principal residence requirement, etc.).

Upon fulfillment of the loan terms, expiration of the affordability period, or repayment resulting from recapture, DCA will release the deed of trust and the affordability restrictions recorded against the property.



4.3 Loan Forgiveness

To encourage stabilization of the community, DCA will use a forgiveness schedule that incentivizes homebuyers to remain in the home for the entirety of the affordability period. The longer the homebuyer retains the home as their principal residence, the greater the forgiveness of the loan. Any assistance provided to the original homebuyer at the initial purchase of the home will be forgiven in 5-year increments as detailed below:

Forgiveness Benchmarks		
Benchmark	Years of Ownership	Percentage of Loan Forgiven
1	Less than 5	0%
2	5-10	33%
3	10-15	67%
4	15+	100%

Forgiveness will be calculated from the recording date of the property deed for the initial purchase by the homebuyer to the date of the purchase and sale agreement to the new potential homebuyer. Initial homebuyers must fulfill all years of ownership within the forgiveness benchmark to receive full credit designated for that benchmark, partial or prorated forgiveness will not be provided.

DCA will reduce the loan amount on a prorated basis, as defined in the forgiveness schedule and will compute the recapture amount by using the following formula:

$$\begin{aligned} & \text{Purchase Price Discount} \\ & + \text{Down Payment Assistance} \\ & = \text{Total Assistance} \end{aligned}$$

$$\begin{aligned} & \text{Total Assistance} \\ & - (\text{Total Assistance} \times \text{Percentage of Forgiveness}) \\ & = \text{Amount of Recapture to be Paid to DCA} \end{aligned}$$

However, if fraud is detected or an applicant is determined to have provided false or misleading information to the Program, DCA reserves the right to recapture all funds.

5 SMART MOVE PROPERTY OWNERSHIP

5.1 Homebuyer Agreement

Homebuyers participating in the Smart Move Program will be required to sign a Homebuyer Agreement and a Non-Amortizing Forgivable Mortgage agreement, both of which outline recapture requirements.



The Homebuyer Agreement requires the homebuyer to certify that they understand and agree to all the terms of the Agreement including the following provisions:

1. Assistance Calculation, which explains how other resources determined to be a DOB were handled and how purchase assistance was calculated.
2. Subrogation and/or Assignment Agreement, in which the homebuyer agrees that any additional funds the homebuyer may receive from potential DOB sources may belong to the Program and confirms their obligation to immediately notify the Program if they receive such funds.
3. Declaration of Covenants and Restrictions to ensure the project meets a national objective.
4. Deed restriction, where applicable, requires all homebuyers to comply with affordability requirements.
5. Hold Harmless Indemnification.

At the close of the initial sale, DCA will take the lesser lien position to that of the first deed of trust loan. DCA will generally not take less than a second lien and may consider a third lien position on a case-by-case basis.

5.2 Refinance

Should the homebuyer want to refinance during the affordability period, DCA may take the lesser lien position to the new first mortgage lender, providing the refinance meets the following conditions:

- ▶ is a no cash-out transaction;
- ▶ ;
- ▶ reduces monthly principal and interest payment,
- ▶ proceeds are not used to pay off a third trust deed or other liens secured against title; and,
- ▶ is not to be used for debt consolidation.

The new loan must meet all the requirements of the first mortgage. All refinances are subject to review and written approval by DCA.

5.3 Transfer of Ownership

5.3.1 Secondary Sale of Smart Move Property

Funds may be recouped from the net proceeds from the sale of the home to pay back the remaining funds not forgiven yet as discussed in Section 4.3. Net proceeds are defined as the sales price minus first lien holder repayments and any closing costs. If there are no net proceeds or if the net proceeds are insufficient to repay the amount due, DCA will recapture an amount less than or equal to the available net proceeds remaining. If the homebuyer sells the property, it must be sold at fair market value. Net proceeds will be calculated using the following formula (see table below for example):



$$\begin{aligned}
 & \text{Market Rate Sales Price at Resale} \\
 & - \text{Closing Costs (estimated 8\% for commissions, title, and escrow fees)} \\
 & \quad \underline{- \text{First Mortgage Balance}} \\
 & \quad = \text{Net Proceeds}
 \end{aligned}$$

5.3.2 Transfer of Interest in Property

In the event a homebuyer, voluntarily or involuntarily, transfers all or part of the interest of the property during the affordability period, DCA may require repayment of funds using the forgiveness methodology detailed in Section 4.3. Upon receipt of payment the affordability restrictions will be terminated and DCA will release the recorded covenants.

5.3.3 Death of the Homebuyer

In the event a homebuyer passes away during the affordability period and the home is sold by the heirs, DCA will recoup the net proceeds as required by the Program and outlined in section 5.3.1.

5.3.4 Foreclosure

The affordability restrictions may terminate upon occurrence of either foreclosure or transfer in lieu of foreclosure. In the event of foreclosure on properties that are subject to the recapture provision, DCA may require repayment up to the net proceeds amount identified in section 5.3. If there are no net proceeds, nothing will be owed.

6 RECAPTURE, NON-COMPLIANCE, AND DEFAULTS

6.1 Recapture of Assistance

During the course of ongoing monitoring of Smart Move, in some instances, the review may identify a situation which would require a recapture of funds. All assistance provided at the time of initial sale may be subject to recapture (i.e., down payment assistance, purchase price discount, etc.).

All applicants who have been identified for recapture of program funding will not be able to close out of the Program until all funds have been repaid to the Program.

6.2 Non-Compliance

Failure to comply with the Program requirements could result in recapture of funds. The reasons for non-compliance include but not limited to:

- ▶ The original homebuyer no longer occupies the unit as his or her principal residence (i.e., unit is rented or vacant);or
- ▶ The home was sold during the period of affordability and the applicable payment due under the recapture provisions were not met.



6.3 Defaults and Breaches

Defaults or breaches may result in DCA “calling the loan” or demanding repayment of any subsidy or assistance provided. Losing the affordable unit may come with penalty to DCA, to prevent the loss of the restricted unit from the affordable housing stock, and the possible recapture of funds invested, DCA will require the written agreements with the homebuyer to include language that will extend cure rights and remedies. Such remedies may include purchase options, rights of first refusal, or other preemptive rights to purchase the housing before foreclosure to preserve affordability. The written agreement will clearly define what actions constitute defaults and breaches, how to remedy or cure such defaults and breaches, and actions to be taken in the event the defaults or breaches are not cured.

7 CLOSEOUT

7.1 Homebuyer Closeout

Homebuyers will be able to take a final walk through of the home five (5) days prior to closing. This allows the buyer to review the property and ensure that the house is in move-in condition.

Loans will be closed with the first lien holder’s processing staff in partnership with DCA. During the closing process the homebuyer will:

- ▶ Review and sign all loan documents including:
 - Settlement statement detailing all costs and fees associated with buying a home;
 - Mortgage or security instrument that explains the responsibilities and rights as a borrower; and
 - Promissory note.
- ▶ Submit a cashier’s check to pay for any costs not covered by the Smart Move Program

At this time DCA will record the lien on the property detailing the affordability and ownership requirements, then will record the deed.

7.2 Annual Homebuyer Compliance

Homebuyers that receive CDBG-DR assistance will be subject to annual monitoring to ensure compliance with regulations during the affordability period. Each year, homebuyers must complete an Annual Owner Occupancy Certification which certifies the following for the entirety of the preceding calendar year:

- ▶ They owned and used the property as their principal place of residence;
- ▶ They have paid all property taxes and other assessments imposed against the property;
- ▶ They have not sold or transferred any interest of the property to another party;
- ▶ They have kept the property insured against, damage, loss, fire, flood (if applicable) etc., with coverage amounts not less than the amount to replace the dwelling:



- Annually, the homebuyer must submit a current copy of the homebuyer's insurance policy declaration page that lists DCA as a Second Mortgagee or additional insured;
- ▶ They have not placed any further liens against the property since acquiring the property;
- ▶ They have paid all sums of money when due to the first mortgage holder; and,
- ▶ They have maintained the property in good condition.

DCA will develop a schedule to determine the timing of the certifications (i.e., beginning of each year, on the anniversary date of each homebuyer, etc.). The homebuyer will be subject to monitoring until the expiration of affordability period or sale of the home. Subsequent homeowners will not be subject to the annual homebuyer compliance requirement.

8 PROGRAM APPEALS, COMPLAINTS, AND CONFLICT OF INTEREST

8.1 Program Eligibility Appeals

All appeal requests related to Program activities are processed and reviewed by DCA. Initial review of the appeal will be conducted by a three (3) person panel, made up of Legal and Regulatory Affairs staff. This staff is independent from the group that originally made the decision being appealed. Each appeal will be reviewed against Program policies and requirements. The panel will make a recommendation to the Deputy Commissioner of DCA who will make the final determination.

Appeal requests to DRM must be postmarked within sixty (60) calendar days of the date of service on the original correspondence communicating the decision to be appealed. Appeals must be submitted in writing to:

Department of Community Affairs
Division of Disaster Recovery and Mitigation
P.O. Box 823
Trenton, NJ 08625-0800
Attention: Legal

The applicant's written request should contain the following information:

- ▶ Applicant's name,
- ▶ Applicant's mailing address,
- ▶ Applicant's telephone number,
- ▶ Email address (if available),
- ▶ The reason(s) the decision or action is being appealed,
- ▶ Documentation that supports the request to overturn the decision, and
- ▶ Application number.



If appropriate, Legal and Regulatory Affairs may contact the applicant to allow the applicant to provide additional documents to address any deficiency or incomplete information, or to be interviewed to determine the merits of the applicant's appeal. If the action or decision is overturned, notification will specify the corrective action to be taken. The applicant shall be notified of the final determination in writing via certified mail.

8.2 Complaints

The State will accept written complaints related to the Program. Written complaints should be submitted via email to DRM.ConstituentServices@dca.nj.gov or be mailed to:

New Jersey Department of Community Affairs
 Division of Disaster Recovery and Mitigation
 P.O. Box 823
 Trenton, NJ 08625-0800
 Attention: Manager, Constituent Services

The State will make every effort to provide a timely written response to every citizen complaint within fifteen (15) working days of receipt of the complaint, where practicable.

The State will require that its subrecipients follow a citizen complaint procedure reflective of the goals of the Citizen Participation Plan. A copy and/or summary of citizen complaints received by subrecipients will be forwarded to the NJ DCA. The complainant must be made aware by the subrecipient that if she or he is not satisfied with the response, a written complaint may be filed with the DCA.

8.3 Section 504 Coordination Complaints and Grievances

Section 504 prohibits discrimination on the basis of disability in programs conducted by federal agencies, in programs receiving federal financial assistance, in federal employment and in the employment practices of federal contractors. Complaints regarding accessibility can be reported to the State's Section 504 Coordinator. Plan publication efforts must meet the effective communications requirements of 24 Code of Federal Regulations (CFR) 8.6 and other fair housing and civil rights requirements, such as the effective communications requirements under the Americans with Disabilities Act.

State Section 504 Coordinator:
DisasterRecoveryandMitigation@dca.nj.gov

8.4 Anti-Fraud, Waste, and Abuse

DCA describes the process for applicants to report fraud, waste, or abuse in DCA Policy No. 2.10.4 Investigation Protocol Policy (February 2023). DCA Policy No.



2.10.13 Internal Audits and Recipients Audits Policy discusses the process of the Office of Auditing to provide both programmatic and financial oversight of grantee activities. When the grantee has determined that instances of fraud, waste, and abuse have occurred, these will be referred to the HUD OIG Fraud Hotline (phone: 1-800-347-3735 or email: hotline@hudoig.gov) by the Office of Auditing.

It is the affirmative responsibility of any DCA employee and any Program staff that has reasonable suspicion that any form of fraud is occurring, to notify the appropriate State or Federal agency or department. Notification of suspected fraud can be made to the Office of the State Comptroller. The toll-free telephone number for the hotline is 1-855-OSC-TIPS (1-855-672-8477). The e-mail address is comptrollertips@osc.nj.gov. All communications will be kept confidential. The hotline and e-mail address are maintained by the State of New Jersey, Office of the State Comptroller.

8.5 Conflict of Interest

In accordance with federal requirements, the Program will adhere to the following conflict of interest provisions established for the CDBG-DR Program and as fully described in the DCA Conflict of Interest Policy No. 2.10.9. For the Program, the following areas have been identified as potential areas of conflict:

- ▶ Program Staff/Homebuyer Applicant, Staff/Local Government, or Staff/Developer relationships
- ▶ Homebuyer Applicant/Developer relationships
- ▶ Evaluation and approval process

8.5.1 Applicability

In the procurement of supplies, equipment, construction, and services by recipients and sub recipients, the conflict-of-interest provisions in 2 CFR 200.317-2 CFR 200.326, and the provisions of 24 CFR 570.611 apply. Such cases include the acquisition and disposition of real property and the provision of assistance by the recipient, by its sub recipients, or to individuals, businesses or other private entities under eligible activities which authorize such assistance (e.g., rehabilitation, preservation, and other improvements of private properties or facilities pursuant to § 570.202, or grants, loans and other assistance to businesses, individuals and other private entities pursuant to § 570.203, § 570.204 or § 570.455).

8.5.2 Conflicts Prohibited

No persons who is an employee, agent, consultant, officer, or elected official or appointed official of the recipient, or of any designated public agencies, or of sub-recipients that are receiving funds under this part who exercise or have exercised any functions or responsibilities with respect to CDBG activities assisted under this part, or who are in a position to participate in a decision making process or gain inside information with regard to such activities, may obtain a financial interest or benefit from a CDBG-assisted activity, or have a financial interest in any contract, subcontract, or agreement with respect to a CDBG-assisted activity, or with



respect to the proceeds of the CDBG-assisted activity, either for themselves or those with whom they have business or immediate family ties, during their tenure or for one year thereafter.



9 APPENDIX A: DEFINITIONS AND ACRONYMS

AMI- Area Median Income

BFE- Base Flood Elevation

CDBG- Community Development Block Grant

CDBG-DR- Community Development Block Grant – Disaster Recovery

CFR- Code of Federal Regulations

CO- Certifying Officer

CP- Citizen Participation

DCA- Department of Consumer Affairs

DOB- Duplication of Benefits

DRGR- Disaster Recovery and Grant Reporting System

FEMA- Federal Emergency Management Agency

HCD Act- Housing and Community Development Act of 1974, as amended

HUD- U. S. Department of Housing and Urban Development

IA- FEMA Individual Assistance Program

LMI- Low- to Moderate-Income (Person or Household) below 80% AMI

NFIP- National Flood Insurance Program

NOFA- Notice of Funding Availability

PA- FEMA Public Assistance Program

RE- Responsible Entity

RFA- Request for Applications

RFP- Request for Proposal

SBA- U.S. Small Business Administration

SFHA- Special Flood Hazard Area

UGLG- Unit of General Local Government

URA- Uniform Relocation Assistance and Real Property Acquisition Act of 1970, as amended

USACE- U.S. Army Corps of Engineers

Act - means Title I of the Housing and Community Development Act of 1974, as amended (42 U.S.C. Sec. 5301 et seq.)

Affordable Housing - In general, housing for which the occupant(s) is/are paying no more than 30 percent of his or her income for gross housing costs, including utilities. The State or Assignee will make every effort to meet this requirement, but affordability will be contemplated on a case-by-case basis. Please note that some jurisdictions may define affordable housing based on other, locally determined criteria, and that this definition is intended solely as an approximate guideline



or general rule of thumb. Awarded projects shall designate a minimum of 51% of the total units in a project to be used for affordable housing for low- and moderate-income persons or households earning 80% or less of the Area Median Family Income (MFI), for the designated project affordability period.

Affordability Period - The period of time during which a property must comply with CDBG-DR program rules and regulations, including primary residency, income, and rent restrictions as applicable.

Aggressive/Abusive – Aggressive and abusive behavior refers to the use of aggressive and abusive tactics aimed at harming a Program representative, contractor, applicant, or other persons. This may include physical, emotional, sexual, or financial abuse, as well as intimidation, manipulation, the use of force or the implied use of force, and other tactics. All forms of aggressive and abusive behavior are prohibited and may result in removal from the Program.

Appeal- A written request from an applicant submitted for review to change an unfavorable determination made by the Program.

Applicant- Any individual who submits an application to the Smart Move Homebuyer Program. The applicant must be either by a recipient in the Blue Acres Program or an Ida impacted first time homebuyer.

AMI-The median (middle number) household income for an area adjusted for household size as published annually by HUD. Once household income is determined, it is compared to HUD's income limit for that household size. Income limits are adjusted annually by county.

Buyout- As referenced in the Federal Register Notice [87 FR 31636.pdf \(hud.gov\)](#), are acquisitions of properties located in a floodway, floodplain, or other Disaster Risk Reduction Area that reduce the risk from future flooding. Under Blue Acres, buyout properties will be voluntarily sold to Department of Environmental Protection (DEP) or their designee for current fair market value (post-storm value) and must be converted to and maintained per open space, recreational or wetlands management, or other disaster risk reduction practices.

Certificate of Occupancy- A certificate of occupancy is a document issued by a local zoning or building department stating that the home is compliant with local municipal building codes and is suitable for occupancy.

CDBG-DR-Community Development Block Grant – Disaster Recovery

Current Fair Market Value- Value of an eligible home, as determined by an appraisal conducted by the Program.

DCA- Department of Community Affairs of New Jersey.

Disability- For the purposes of the Program, “disability” is consistent with federal law under the Social Security Act, as amended, 42 U.S.C. § 423(d), The Americans with Disabilities Act of 1990, 6 as amended, 42 U.S.C. § 12102(1)-(3), and in accordance with HUD regulations at 24 CFR §§ 5.403 and 891.505

Duplication of Benefits- The Robert T. Stafford Disaster Assistance and Emergency Relief Act (Stafford Act) prohibits any person, business concern, or other entity from receiving financial



assistance from CDBG Disaster Recovery funding with respect to any part of a loss resulting from a major disaster and financial assistance where other sources have been provided (insurance, any other program, etc.)

Family – The term family means all persons living together in the same housing unit, as further defined under 24 CFR 570.3.

Forced Mortgage Payoff- An involuntary forced mortgage payoff is when the mortgage company forced you to use your Insurance Funds toward your mortgage balance. The mortgage company forced a large payment toward mortgage, to pay the mortgage amount down. The mortgage company forced total payoff of your mortgage in full.

Flood Insurance- The Flood Disaster Protection Act of 1973 (42 U.S.C. 4012a) requires that projects located in an area identified by FEMA as being within a Special Flood Hazard Areas (SFHA) be covered by flood insurance under the National Flood Insurance Program (NFIP) following the receipt of federal assistance. To be able to purchase flood insurance, the community must be participating in the NFIP. If the community is not participating in the NFIP, federal assistance cannot be used in those areas.

Household- All persons occupying the same housing unit, regardless of their relationship to each other. The occupants could consist of a single family, two or more families living together, or any other group of related or unrelated persons who share living arrangements. For housing activities, the test of meeting the low-to-moderate-income objective is based on the income of the household.

HUD- United States Department of Housing and Urban Development.

IRS 1040/Adjusted Gross Income (“AGI”) Calculation Method- Citizens of the United States and resident aliens, except those with gross incomes that fall below a certain level, are required to file an income tax return with the Department of the Treasury’s Internal Revenue Service (IRS) each year. The tax return is officially referred to as IRS Form 1040. The Adjusted Gross Income (AGI) is listed on the 1040 tax form and is the dollar figure used to determine an applicant’s income eligibility for participation in the CDBG-DR Programs.

LMI National objective- One of three national objectives that any CDBG activity must meet. Activities that meet the LMI objective must benefit households whose total annual gross income does not exceed 80% of area median income (AMI), adjusted for family size. Income eligibility will be determined and verified in accordance with HUD Guidance. The most current income limits, published annually by HUD, shall be used to verify the income eligibility of each household applying for assistance at the time assistance is provided.

Low to Moderate Income (LMI) Household- A household with income (including income derived from assets) at or below 80 percent of an area’s median income. All income is based on the Area

NFIP- National Flood Insurance Program. When the Program refers to NFIP in the context of eligibility or duplication of benefits, the Program is referring to private and public flood insurance programs that cover structural repairs resulting from flood damages.

Subrogation and Assignment Agreement: Applicants must agree to subrogate (commit to the State) any future payments they may receive after the award amount is determined from sources that represent a potential DOB. The subrogation agreement requires the entity to notify the State



if additional funds are received and to assist the State in collecting any amounts owed to the entity from these sources.

Section 504 of the [Rehabilitation Act of 1973](#)- A national law that protects qualified individuals from discrimination based on their disability. The nondiscrimination requirements of the law apply to employers and organizations that receive financial assistance from any Federal department or agency, including the U.S. Department of Health and Human Services (DHHS). These organizations and employers include many hospitals, nursing homes, mental health centers and human service programs.

Urgent Need National objective- An urgent need that exists because conditions pose serious and immediate threat to health/welfare of community, the existing conditions are recent or recently became urgent and the recipient of funds cannot finance the activities on its own because other funding sources are not available. Documentation must be maintained on how each program and/or activity funded under this category responds to a disaster-related impact.



10 APPENDIX B: EXAMPLE INCOME CERTIFICATION FORM

APPLICANT NAME: _____ PROGRAM ID: _____

DAMAGED PROPERTY ADDRESS: _____

HOUSEHOLD MEMBERS: List all household members and provide the requested information which is supported by your 2021/2022 Federal Tax Return. "Household" is defined as all persons living in the same dwelling unit, regardless of relationship.

The number of people presently in my household who are 18 years of age or older: _____

The number of people presently in my household who are younger than 18 years of age: _____

Total household members: _____

List the ANNUAL INCOME of all adult household members for 2022. "Adult" is defined as any household member 18 years or older.

Household Member Name	Income Source #1		Income Source #2		Income Source #3		TOTAL
	Type (such as name of employer, SS/SSI, Retirement, Unemployment)	Amount	Type	Amount	Type	Amount	Amount
TOTAL							

If a household member has additional sources of income, please make a copy of this page, and fill out for additional sources.

ESTIMATE TOTAL ANNUAL HOUSEHOLD INCOME FOR 2023: _____

When developing this estimate only include amounts that are certain to be received in 2022. For example, if it is uncertain whether your salary will increase in 2023 or if your interest, income, or tips/bonus amounts are unknown, please use the 2022 amount when estimating 2023 income.

HEAD OF HOUSEHOLD MUST SIGN:

I certify that this information regarding my 2022 and 2023 household income is complete and accurate. I agree to provide to the State of New Jersey or its designated contractor additional information and documentation on all income sources upon request.

We authorize the State of New Jersey and its designated contractors to verify the reported income information with third party sources.

Signature of Head of Household	Printed Name	Date
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WARNING: The information provided on this form is subject to verification by the State of New Jersey and the Department of Housing and Urban Development (HUD) at any time. Title 18, Section 1001 of the U.S. Code states that knowingly and willingly making a false or fraudulent statement to a department of the United States Government can result in termination of assistance and civil and criminal penalties.



11 APPENDIX C: EXAMPLE DOB QUESTIONNAIRE & SUBROGATION AGREEMENT

To be added once complete

