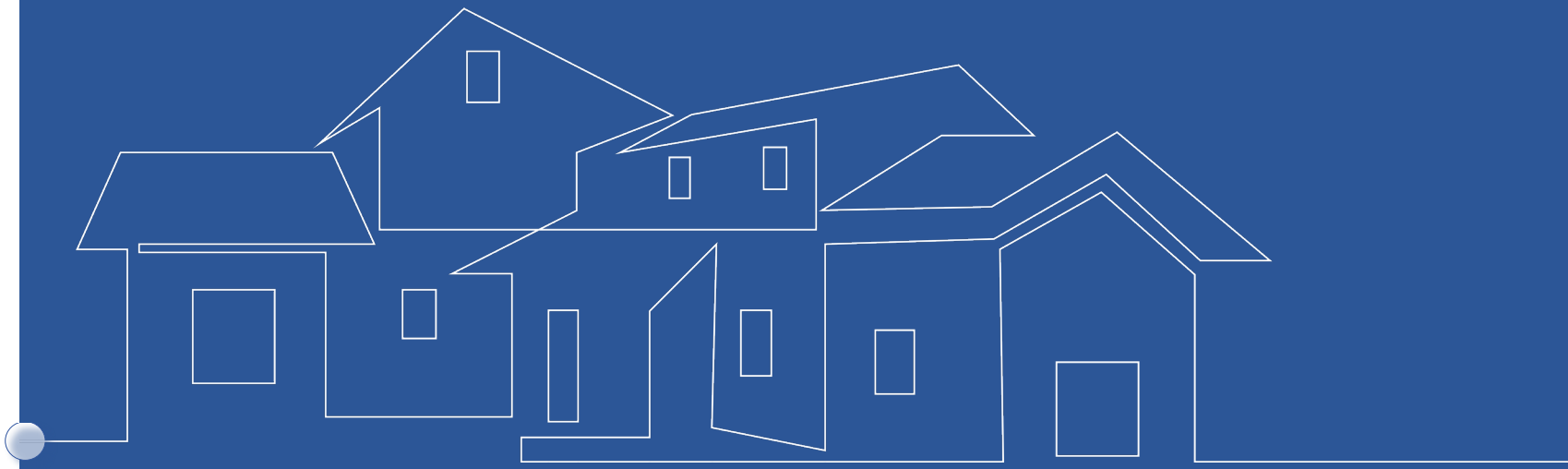
NJHMFA

HOUSING & MORTGAGE FINANCE AGENCY



2026 Compliance Division Quality Control Training

WELCOME

Welcome to the NJHMFA Quality Control Training. We would like to take a minute to thank you all for taking a moment out of your busy schedules to join us today. We kindly request that you observe the following:

- Please place your lines on “mute”.
- Please hold all questions until the training session is complete. A Q&A session will follow the presentation.
- Please ensure all pertinent staff that directly works with NJHMFA’s Single Family mortgage programs attends the training session.

DISCLAIMER

The purpose of this training is to clarify the policies and procedures involved in the loan process across the various divisions and departments within NJHMFA as they relate to our Single-Family loan programs.

Additionally, we will highlight quality control audits, set the proper expectation on how to respond to audit findings in the quality control audit software with the intent to improve loan quality at the time submission to NJHMFA.

Please be sure that you are adhering to the guidelines outlined in the NJHMFA's Seller's Guide, Lender Bulletin's, GSE guidelines and State regulations (where applicable) at all times.

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HOUSING & MORTGAGE FINANCE AGENCY

Business Development

Policies & Procedures

Business Development

New Loan Reservations

- First Time Homebuyer (FTHB), Homeward Bound, and HFA Advantage loans must have a valid reservation in the Lender Portal before the loan is submitted to the Agency for the pre-closing review.
- All loan level changes to the initial reservation should be emailed to SFLenders@njhmfa.gov.
- Police and Fire loans must be reserved in the Lender Portal within 5 business days of a lender originating an application.
- Lenders are required to reserve a new loan if there is a new property being purchased that differs from the original reservation.

Loan Reservation Cancellations

- Lenders may not cancel an existing reservation to obtain new rates except in the case of a new property, or until 60 days after cancellation of a prior reservation.
- The Lender can cancel the reservation in the Lender Portal.

Loan Reservation Extension Policy

- For the FTHB, Homeward Bound, & HFA Advantage loans, the extension fees will be netted out of the funding at the time of purchase; the fee may not be passed onto the borrower.
- FTHB, Homeward Bound, & HFA requests can be emailed to the SFLenders@njhmfa.gov along with a complete Renegotiation & Extension form that can be found on the Agency website under the Resource tab.
- If a FTHB, Homeward Bound, or HFA Advantage loan expires after the second 30-day extension, it will be handled on a case-by-case basis by sending an email to SFLenders@njhmfa.gov

- The PFRS Program extension fee is $250 for 30 days and must be paid at the time the request is submitted. In addition, a rate reduction may be requested for an additional $250 fee. A check covering both the extension fee and the rate reduction fee must be issued by the lender and mailed to the Agency.

Lender Training

- We offer detailed training twice a month to become certified to originate our products or as a refresher.
- **All questions regarding program guidelines and loan level details should be emailed to:** SFLenders@njhmfa.gov.

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Underwriting

Policies & Procedures

Underwriting

Loan Submission for Agency Review

- **Lenders are to submit loan to agency only after**:
- ✓ Loan has been fully underwritten and approved by the lender's underwriter.
- ✓ Loan is deemed **ready for closing** and agency approval is the **last condition**.
- ➢ Keep in mind, the URV that is signed at time of agency submission, attests to the loan being cleared for closing, all lender due diligence is completed, and all GSE and agency guidelines are met.

Submitting loans to the agency that **are not yet approved or CTC only creates additional conditions, delays, possible qualifying concerns, issues in purchasing, and post-closing.*

- Upload the MISMO, 3.4, or FNMA DU file (Mandatory as of 7/1/25).
- The most current version of the MISMO being uploaded will ensure data accuracy to match final documents and result in less conditions.
- Upload all supporting documentation used to render the Lender approval decision.
- Even if those documents aren't necessarily specified on the lender submission checklist, if they are needed to decision the loan, please provide.
- Ensure documents have been placed in their proper document container name.
- Include all NJHMFA required documentation as it to pertains to agency overlays and guidelines.
- Ensure all documents uploaded are CLEAR, CURRENT, COMPLETE, CONSISTENT, RELEVANT & FULLY EXECUTED AND/OR NOTARIZED (if applicable).
- ➢ The #1 reason a loan is not assigned to an underwriter immediately is when agency disclosures are missing, not filled out correctly or completely, not signed by all parties, or not notarized.

- Utilize the following link to refer to document requirements and timing: https://nj.gov/dca/hmfa/lenders/lenderportal/ (Resources Tab)
- Include notes on the transmittal, from the lender's UW, related to their decision, when necessary.
  - *This can save all parties a lot of time if the loan contains a unique scenario or alternate documentation*
- The appropriate action link must be clicked once uploading documents is complete.
- An agency underwriter will only be assigned once a complete file upload has been received.

Agency Underwriting Review

- Agency underwriter indexes (splits) and labels all documents uploaded.
- If the lender uploads to the correct document bucket and labels prior to submission, this saves the underwriter a lot of time, and reduces the risk of something being missed.
- Agency underwriter reviews all documents received to ensure they are CLEAR, CURRENT, COMPLETE, CONSISTENT, RELEVANT, & FULLY EXECUTED.
  - The #1 condition that delays loans is all final documents matching. This is in regards to verified total assets, required funds to close, proposed housing payment, seller credits, EMD's and gifts.
- The transmittal, URLA, and AUS findings should all match.
- Agency underwriter will then verify agency overlays have been met.
- While the agency is not responsible for ensuring GSE guidelines are met, anything related to our overlays may be questioned. Examples include:
  - NJHMFA has ratio restrictions for certain programs; anything that could effect the PITI, income used to qualify, employment stability and current debts must be reviewed.

- This also includes compliance testing as required by our Seller's Guide.

➢ **Examples Include:**

  - FICO score
  - Ratios
  - Definition of a First Time Homebuyer
  - Household Income
  - 20% Liquid Asset Test
  - Allowable Fees
  - Property type
  - Reserves
  - Cash back
  - Housing Counseling
  - Non-Occupying Borrowers

- Use agency highlights tool to identify what applies to each program https://nj.gov/dca/hmfa/lenders/docs/single_family_program_highlights.pdf

*ANY changes that occur, **after** agency approval, **MUST** be resubmitted for review and obtain an **updated approval prior** to the loan closing. If not, this could result in severe consequences at the time of purchase or during the post-purchase quality control audit review.*

Agency SLA's

- Proactive pipeline management of all loan tracking statuses from "UW Assigned" to "Received for Purchase".
- Any loan that has been sitting in "Approved" or "Suspended" status for 30 days or more risks cancellation.
- All New loan and resubmission turn times are published on the daily rate sheet.

Compliance Tests

First Time Homebuyer Requirement

- All Borrowers, co-borrowers and co-mortgagors must be first-time homebuyers, including any residing non-borrowing spouse.
- A First Time Homebuyer is defined as someone who **has not** had an ownership interest in (not listed on the deed of) their principal residence during the previous three years.
- Non-occupying coborrowers are not permitted in the FTHB program. They are permitted with the HFA Advantage and Homeward Bound loan programs and the borrower(s) do not have to meet the first time home buyer definition.
- The first-time homebuyer requirement also does not apply if the Borrower(s) is purchasing in a Urban Target Area or is a qualified veteran.
- Properties can be identified in an Urban Target Area on the Agency's website site evaluator map: https://experience.arcgis.com/experience/8ab01c69a55041f48b9c129ad1e79885/

Annual Household Income (FTHB program only)

- The aggregate gross annual income for all borrowers, co-borrowers and mortgagors, including nonborrowing spouses and domestic partners, all of whom are required to occupy the dwelling within **60 days** of the closing date.
- Annual Household Income includes all sources of income being earned, even if not being used for qualifying.
  Note: First mortgage qualifying income and compliance test income calculations are most often different amounts.
- This is not required on the HFA ADV and HW Bound programs; the qualifying income is always the same as the compliance income for these 2 programs.

20% Liquid Asset Test

- Borrowers with liquid assets in excess of 20% of the Sales Price **are not** eligible for DPA.
- Liquid assets would include all cash equivalents, gift funds, and investments (including stocks, bonds, and mutual funds) held outside of a qualified retirement plan.
- The following ***are not*** considered liquid assets:
  401ks; IRAs and similar retirement accounts/assets; and 529 tuition savings plans.
- Earnest money deposits (EMD's) are also considered in the 20% liquid asset test.
- ALL LIQUID ASSETS must be disclosed to the agency with 60 days statements, whether being used for qualifying or not. These additional accounts are often identified via account transfers within statements the agency does receive as part of their review.
- The Agency will use the highest balances on account statements.
- Excess withdrawals to get below the maximum is not acceptable.
- Paying down debt with liquid assets to avoid failing the asset test is not acceptable.
- Raising the sales price after failing the asset test is not permissible. Please refer to Lender Bulletin 2026-2 regarding the six (6) month lock out period.
- The use of excluded assets (such as a 401k or IRA) to pay off installment debt at or before closing is permissible, even if those assets do pass through a liquid asset.

Maximum Cash Back at Closing

- Cash back to the Borrower at closing is limited to a **maximum of $3,000** and may only be used to reimburse the Borrower for eligible expenses paid directly by the Borrower.
- The $3,000 maximum may include eligible closing costs or prepaid taxes and insurance paid outside of closing, or all or a portion of the Borrower's "Initial Deposit" or "Initial Earnest Money Deposit" (or other designation of deposit funds tendered by the Borrower upon the Borrower execution of the contract) funds tendered at the outset of the real estate contract and/or purchase process.
- All costs identified on the Closing Disclosure (CD) identified as "Paid Outside of Closing" (POC) must be fully documented to be eligible for reimbursement.
- Eligible closing cost reimbursement is limited to appraisal, survey, pest inspection, housing counseling certification and the credit report.
- Funds in excess of the actual funds tendered by the Borrower up to a maximum of $3,000 **must be applied as a principal reduction** to the first mortgage loan. This needs to be placed on the CD at the time of closing.
- Borrowers seeking to recover all or a portion of their Earnest Money Deposit in excess of reimbursement for eligible expenses paid directly by the borrower ($3,000) must have a fully executed sales contract that reflects a loan amount that matches the loan amount on the Lenders Underwriting Transmittal.
  Note: This is required so that the seller is aware of the actual final down payment and loan amount.

First Generation Requirement

- ✓ All borrowers must qualify and meet all the requirements for an Agency first mortgage loan originated through a Participating Lender.

- ✓ All **occupying borrowers** must be a First Time Homebuyer in addition to meeting the definition of a First-Generation Homebuyer.

For purposes of the Smart Start Plus First-Generation Program, "First-generation homebuyer" means a first-time homebuyer, who is:

(i) 1. whose parents or legal guardians do not have any present ownership interest in any residential real property in any state or territory of the United States, or outside of the United States;

AND

(i) 2. whose spouse, or domestic partner has not, during the three-year period ending upon acquisition of the eligible home to be acquired using such assistance, had any present ownership interest in any residential real property used as their principal residence in any state or territory of the United States, or outside of the United States;

OR

(i) an individual who has at any time been placed in foster care in the State, was an emancipated youth, or was designated as a homeless, unaccompanied youth pursuant to the “McKinney-Vento Homeless Assistance Act,” as described in 42 U.S.C. §11434a.

Qualified Veterans and buyers of homes located within Urban Target Areas do not need to be first-time home buyers in order to meet eligibility requirements for the first mortgage or DPA product, but must not own another primary residence at closing. All other product-specific eligibility requirements must be met, including all additional First Generation requirements for borrowers using the First Generation Smart Start DPA.

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Purchasing

Policies & Procedures

Purchasing

Purchase Submission requirements to the agency for all HFA, MBS and MRB loans

- The complete loan package should be submitted to the agency post closing as quickly as possible.
- The agency will be monitoring approval dates, contract close dates as well as reservation expiration dates.
- The reservation date MUST be good through the date of purchase.
- Internal agency staff will review the loan for accuracy of collateral documents, security instruments, Closing Disclosure and Power of Attorney (when applicable).
- MetaWorx (third party vendor) will concurrently perform a compliance review for State, Federal and Agency requirements.
- Review AUS findings and validate all required documents is included in the loan file.
- Verify all required documents are complete and accurate.
- Initial review SLA is 48 business hours from receipt of the “complete” loan package.
- Condition review SLA is 24 business hours from receipt of information/documentation.

Purchasing- Best Practices

Common loan defects that impact timely purchase of loans

NJHMFA DPA Note and DPA Mortgage:

- Correct Loan Amount (Both formats ex: $10,000 and Ten Thousand Dollars)
- Correct Maturity Date
- Note date is consistent on both documents and match the 1st Note
- Properly executed and notarized as applicable
- Correct County and property address

Assignment of Mortgage:

- Correct assignment as applicable per program(PFRS or NJHMFA)
- Borrowers name and property address match exactly as shown on the 1st Mortgage
- Properly executed and notarized with dates matching
- Correct Loan Amount matching the 1st Note
- Correct Mortgage date

Servicing Transfer Letter:

- Ensure correct LoanCare addresses and contact information is listed both on the copy supplied to the Agency **AND** the Borrower

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Quality Control

Policies & Procedures

The Compliance Division is independent of all Single Family Division operational staff.

Post-closing/Post-purchase quality control (QC) audits are independent reviews conducted to verify loan file accuracy, compliance, and underwriting integrity.

The audits are conducted to ensure that loans were originated, processed, and closed in compliance with agency guidelines, investor requirements, and NJHMFA internal policies.

These audits help identify errors, verify data accuracy, and mitigate risk for the Agency and involve both the review of our internal staff and our lending partners.

Key Objectives

- **Verify loan file accuracy**
  Confirm that income, assets, credit, employment, and property information were documented and calculated correctly
- **Ensure compliance**
  Review adherence to federal, state, and agency regulations (FHA, VA, USDA, Fannie Mae, Freddie Mac, etc.).
- **Detect fraud or misrepresentation**
  Identify inconsistencies or red flags in borrower information or documentation.
- **Assess underwriting quality**
  Determine whether the loan was approved based on accurate data and appropriate risk assessment.
- **Evaluate closing and post-closing processes**
  Confirm that disclosures, closing documents, and final numbers align with requirements.

ACES Connect

- All post-purchase quality control audits are completed via ACES Connect.
- This system does support multiple users, however only one person can be identified as the primary recipient to receive the push notifications pertaining to any audit.
- If your organization is setup with multiple users, the primary recipient is responsible for forwarding the exceptions to any additional users with credentials in the system within their organization to review and respond to the audit exceptions.
  **Credentials can not be issued to shared mailbox addresses.*
- Once the audit has been published, the user(s) will have 30 business days to respond to the exception(s).
- Once the audit due date has surpassed, the exception(s) will no longer be accessible for response in the ACES Connect system.
- If additional time is needed to respond to the audit finding, the request must be made prior to the due date.
- All lenders are required to ensure the contact information is current to avoid any potential delays.
- All questions or concerns related to any audit or the ACES Connect system can be directed to: QualityControl@njhmfa.gov.

- All audit exceptions require a response regardless of the risk classification. The risk classifications are as follows:
  - Minor
  - Moderate
  - Material

- When responding to the exception the user will have the ability to “Agree” or “Disagree” with the exception.

- When responding to the audit exceptions, the user will enter their reply and upload the corresponding documentation to mitigate the audit finding in the ACES Connect system.

Audit Review Process

The post-purchase quality control audit is a comprehensive review that includes, but not limited to the review of the following:

- ✓ Program eligibility
- ✓ Borrower income and employment verification
- ✓ Credit reports and liabilities
- ✓ Asset documentation and source of funds
- ✓ Appraisal and property valuation
- ✓ Title work and closing documents
- ✓ Compliance disclosures and timeliness
- ✓ AUS findings and underwriting decisions
- ✓ Red flags or inconsistencies in the file

Top 10 QC Errors

1. Missing Bank Statements or Missing Pages

Incomplete statements or missing pages prevent verification of assets and deposits.

2. Judgment & Patriot Search Issues

Missing searches, missing evidence of cleared judgments, or incomplete CPL and endorsements.

3. Invalid or Missing Tax Certifications

Required municipal tax certifications not included or expired.

4. Data Mismatches Across Documents

Inconsistencies between the 1003, 1008, AUS, liabilities, new credit, or excluded debts.

5. Missing NJHMFA Forms or Disclosures

Agency-required forms not included, incomplete, or not executed properly.

6. Incorrect or Unsupported Income Calculations

Errors in paystub analysis, variable income, or missing employer verification.

7. Missing Appraiser License or E&O Insurance

Appraisal package incomplete or missing required documentation.

8. Missing Sales Contract Addendums

Addendums referenced in the contract not included in the file.

9. Incorrect Parties on AOS or 1003

Borrower names not matching across documents or missing required signatures.

10. Incorrect Fee Allocation or Cash-Back Issues on the CD

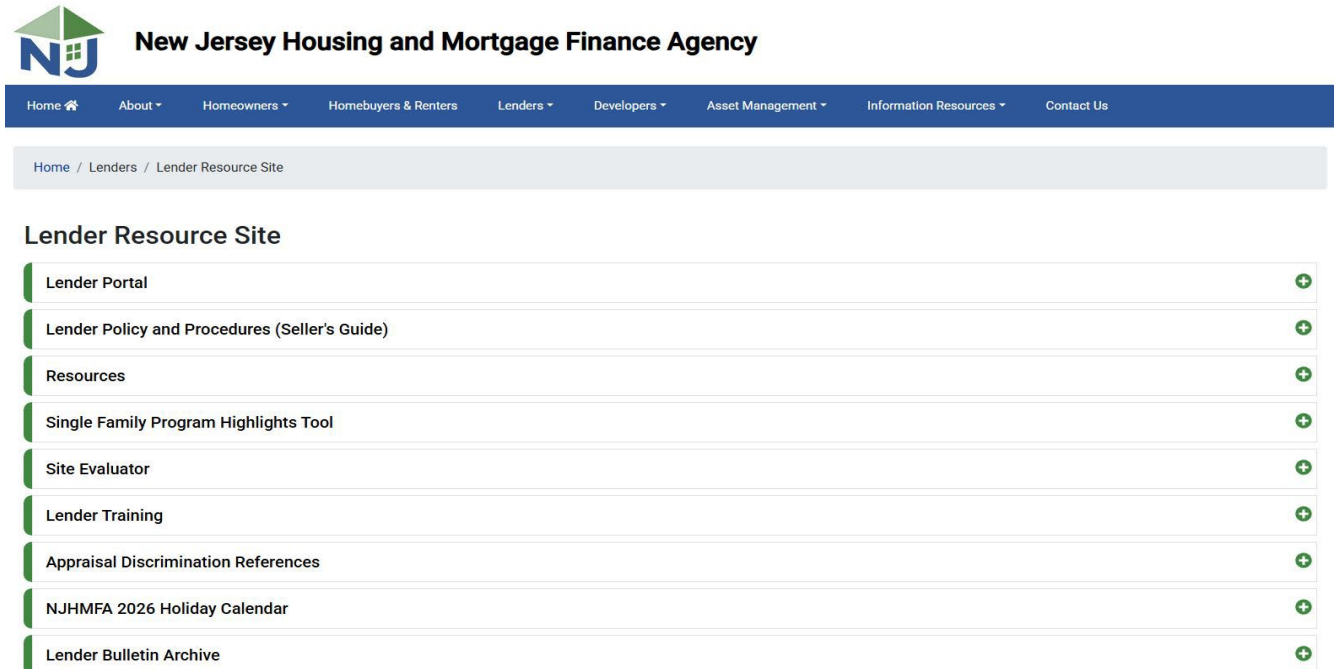
POC items not documented, incorrect fee placement, or cash-back exceeding allowable limits.

LENDER RESOURCE SITE

The Lender Resource Site can be accessed using the following link:

https://www.nj.gov/dca/hmfa/lenders/lenderportal/

The Lender Resource Site is where you can access the NJHMFA Seller's Guide, Single Family Program Highlights Tool and other useful information.



Lender Policy and Procedures (Seller's Guide)

Policy and Procedures for Participating Lenders

Known as the "Seller's Guide" - EFFECTIVE July 1, 2025

Policy and Procedures for Participating Lenders

Used for pipeline loans prior to 7/1

Resources

NJHMFA Single Family Policy on Electronic Signatures for Mortgage Lending Documents

First Time Home Buyer Program Documents

Upload with initial underwriting review package.

- Lender Submission Checklist - Effective Date 07.24
- Lender Underwriter Review Verification Form (URV) - Effective Date 10.23
- Recapture Tax Disclosure - Effective Date 06.24 Lender and borrower to sign and date.
- Mortgagor's Affidavit - Effective Date 06.18 Borrower to sign and have notarized.

Lender & Borrower to sign and date. Upload with initial underwriting review package.

- Lender Post-Closing Submission Checklist - Effective Date 07.24
- Property Seller's Affidavit - Effective Date 06.18 Seller(s) to sign and have notarized at closing.
- HMFA 1- 4 Family Tax Exempt Financing Rider - Effective Date 01.25 To be recorded with the first mortgage.
- HMFA Mortgage Schedule pdf - Effective Date 01.25 Completed by lender.
  - HMFA Mortgage Schedule Example - Effective Date 01.25
- Assignment of Mortgage - Effective Date 1.26 Completed and signed by lender. Signed and notarized by title agent.
- Quality Control Release and Authorization to Re-Verify - Effective Date 08.13 Signed by the borrower.

Upload this document when submitting collateral and trailing documents:

- Custodial Certification Form - Effective Date 01.25

NJHMFA
New Jersey Housing and Mortgage Finance Agency

SINGLE FAMILY PROGRAM HIGHLIGHTS

PROGRAM	FIRST TIME HOME BUYER	HOMEWARD BOUND	HFA ADVANTAGE	POLICE & FIREMEN (PFRS)
Purpose	Purchase	Purchase	Purchase	Purchase
1st Mortgage	30-Year Fixed only	30-Year Fixed only	30-Year Fixed only	30-Year Fixed
2nd Mortgage (DPA)	Forgivable, up to $15,000 disclosed via TIL following TRID timeframes.	Forgivable, up to $15,000 disclosed via TIL following TRID timeframes.	Forgivable, up to $15,000 disclosed via TIL following TRID timeframes.	Ineligible for DPA, but other secondary financing is allowable
First Generation Homebuyer	Forgivable, coupled with the DPA, it provides qualified homebuyers with up to $22,000 toward down payment and/or closing costs. Please see program fact sheet for the definition of a First Generation Homebuyer	Forgivable, coupled with the DPA, it provides qualified homebuyers with up to $22,000 toward down payment and/or closing costs. Please see program fact sheet for the definition of a First Generation Homebuyer	Forgivable, coupled with the DPA, it provides qualified homebuyers with up to $22,000 toward down payment and/or closing costs. Please see program fact sheet for the definition of a First Generation Homebuyer	Ineligible for DPA, but other secondary financing is allowable
First Mortgage Loan Type	FHA, VA, USDA	FHA, VA, USDA	Conventional - Freddie Mac	Conventional - Fannie Mae
Automated Underwriting System	Follow first mortgage insurer requirements	Follow first mortgage insurer requirements	LPA	DU
Minimum Credit Score	620	620	620	620

Lender Bulletin Archive

2026 Bulletins

- Lender Bulletin 2026-5 Exciting News!
- Lender Bulletin 2026-4 NJHMFA Annual Lender Quality Control Training
- Lender Bulletin 2026-3 Introducing Our New Single Family Assistant Director of Programs
- Lender Bulletin 2026-2 Asset Test Requirement Affected: Smart Start DPA and First Generation Smart Start DPA
- Lender Bulletin 2026-1 Trailing Document Changes in Lender Portal

2025 Bulletins

- Lender Bulletin 2025-17 Important Reminders Regarding Trailing Documents
- Lender Bulletin 2025-16 Mercer County Recording Delays
- Lender Bulletin 2025-15 Important Information: Tax Service Fee Charges
- Reissue Lender Bulletin 2025-13 Seller Guide Update Notice Effected Programs: First Time Homebuyer, Homeward Bound, and HFA Advantage
- Lender Bulletin 2025-14 Patriot Act Information Form

WHO DO I CONACT FOR QUESTIONS?



- For assistance with your loan reservation, changing an existing reservation or general questions please contact our Business Development Team at:

SFLenders@njhmfa.gov

- All questions in relation to the audit reports, extension, rebuttals, etc. should be sent to:

QualityControl@njhmfa.gov

CONTACT US

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QUESTIONS?



Thank you for joining us today!

NJHMFA

HOUSING & MORTGAGE FINANCE AGENCY

EQUAL HOUSING OPPORTUNITY