NJHMFA

Smart Start Plus First-Generation Program
Frequently Asked Questions (FAQs)

Has NJHMFA adjusted their definiton of a First Time Homebuyer

The NJHMFA policies related to the definition of a First Time Homebuyer have not changed, and the related requirements of our first mortgage programs remain the same as they have for years. This First Time Homebuyer definition is the fundamental first step for determining whether an applicant is eligible to participate in the First-Generation Program.

How do lenders determine if a borrower qualifies for the smart start plus First-Generation Program?

STEP 1 • Determine whether the applicants meet the definition of a first-time homebuyer. In our Lender Guide (Chapter 3, page 4), 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.)

IF the applicants meet the definition, THEN proceed to Step 2.

IF not, THEN the applicant(s) are not eligible for the FTHB program, the standard DPA, OR the First Generation DPA. The applicants may still be eligible for the Homeward Bound or HFA Advantage program without any DPA.

STEP 2 • Determine whether the applicants meet First Generation criteria and are willing to sign the Borrower's Affidavit.

A first-generation homebuyer is defined as a first-time homebuyer who is also either:

A. An individual:

- 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

- whose spouse, or domestic partner, and each member of whose household has not, during the 3-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

B. 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. s.11434a.

IF yes, THEN proceed.

IF not, THEN the applicants are NOT eligible for the additional $7K First Generation DPA program. The applicants may only be eligible for the standard DPA program.

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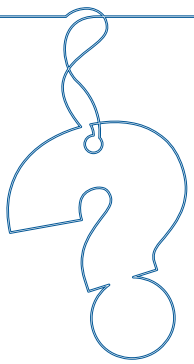
Does the lender need to evidence that the borrower meets the First Generation criteria by gathering documents on the parents or other household members that are not on the URLA?

It is the applicants' responsibility to determine if they meet the first-generation eligibility, per the terms stated in the affidavit. The Agency is not asking lenders to evidence that any non-applicants do not own property that would disqualify eligibility for the applicants, other than documents already provided for the first mortgage review. As always, we have an expectation of a reasonable due diligence review for fraud or misrepresentation from examination of the documents provided by the applicants as part of the mortgage application.

What does the Agency mean by reasonable Due Diligence for fraud or misrepresentation?

We expect our lending partners to perform reasonable due diligence to question red flags that appear when documenting your file. Here are some examples:

- If the buyer says he pays no rent because he lives with his parents, I'd expect you'd confirm that his home address isn't owned by the parents.
- If there is a gift from the parents, you should be reviewing the address on the gift letter or bank statement to confirm that property isn't owned by the parent.
- If there is a non-borrowing spouse that is the owner of the borrower's current residence, that's a red flag to question.
- If the credit report shows a prior mortgage or HELOC, it needs to be questioned.
- If your fraud guard report indicates prior homeownership, it needs to be explained.
- If there are additional addresses on paystubs and bank statements that are not listed on the URLA, that is a red flag to question.



This is not mean to be an exhaustive list, and certainly these scenarios won't apply to every loan (or even most of them). Ultimately, we need your partnership in making sure the file makes sense and that they aren't attesting to something that clearly isn't true.

Lenders are required to complete reasonable due diligence when reviewing the file by: reviewing the credit report for any prior homeownership, reviewing any third-party fraud prevention software tool (Fraud Guard/Mavent) for any prior homeownership, reviewing the URLA for any prior homeownership.

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Who is considered a parent?

The Agency is not requiring lenders to define the meaning of the word "parent" for their applicants, nor will the Agency review one-off scenarios regarding situations like divorce, adoption, estrangement, emancipation, etc. to define who is a parent. The applicants need to review the affidavit and determine for themselves whether they meet the criteria.

Is the Smart Start Plus First-Generation Program a third (3rd) lien on the property?

The Smart Start Plus First-Generation amount of $7,000 is combined with the existing DPA program for a larger second (2nd) lien on the property.

What additional documentation should lenders provide when submitting a First-Generation loan?

Lenders should always check the Lender Submission Checklist for the most up to date documentation requirements. There was only one additional document with this launch, which is that Lenders are required to submit The First-Generation Borrower's Affidavit with the loan file submission. No other new documents have been added for either the first mortgage or the DPA.

Are pipeline loans eligible for the Smart Start Plus First-Generation Program?

This new program change is effective October 20, 2023 and will only apply to new loan reservations. Pipeline loans reserved prior to October 20, 2023 will be eligible for down payment assistance in the amount of $10,000 or $15,000, but not the additional $7,000 First Generation Assistance.

Participating Lenders may not cancel an existing reservation to obtain the new Smart Start Plus First-Generation Home Buyer Program amount except in the case of a new property, or until 60 days after cancellation of a prior reservation.

Are there income limits or additional guidelines for the Smart Start Plus First-Generation Program?

The Smart Start Plus First-Generation Program is be coupled with one of the Agency's first mortgage programs. Lenders must follow the existing first mortgage program requirements for either the First Time Homebuyer Program, Homeward Bound Program, or the HFA Advantage Program. These guidelines did not change with the launch of the First Generation Program.

Smart Start Plus First-Generation Program Frequently Asked Questions (FAQs)

(continued)

When does the First Generation Affidavit need to be submitted, and what needs to completed in order to make sure it is accepted by the Agency?

The fully executed, completed and notarized First Generation Affidavit is required when the loan is submitted for initial UW review. A loan will not be approved without this document. There are several areas on the form that must be completed. On page one, the applicants(s) must check the boxes that apply to their circumstances. At the top of page two, the applicant(s) must fill in the # of adults that are expected to line in the household in the next 12 months. Also on page 2, all of the names of the adults household member names are to be listed, the form is to be signed and dated by all of those occupying applicants (original ink signatures), and the form is to be notarized.