



November 19, 2021

RE: HAFP-0024-New Jersey Treasury Feedback for Resubmission of Plan

To Whom It May Concern:

Thank you for the opportunity to respond to U.S. Treasury's feedback regarding New Jersey's HAF plan. For clarity, we have included U.S. Treasury's feedback, then provided New Jersey's response under each item. We look forward to our continued partnership.

Completeness

Treasury Feedback: Your plan lists Melanie Walter as the Authorized Official, while the original application for HAF payments was signed by Walter Brown. To ensure prompt payment upon approval, the Authorized Official needs to be the same as the signatory on the original application for HAF payments. If you need to establish a new authorized representative for HAF payments, a request should be submitted by email to HAF@treasury.gov.

NJ Response: The Authorized Official will be Walter Brown, who is the signatory on the original application for HAF payments.

Homeowner Needs and Community Engagement

Data

Treasury Feedback: Please explain how the plan targeting and outreach reflect the data referenced in your plan.

NJ Response: NJHMFA analyzed ACS public use microdata to estimate and identify low-income and socially disadvantaged households within the broader population of mortgage-holders in each of New Jersey's Public Use Microdata Areas (PUMAs). In addition to these estimates, NJHMFA extrapolated an estimated distress rate for June 2021 for each PUMA using a weighted average of zip-code level forbearance and delinquency rates provided through the Federal Reserve Bank of Atlanta and Black Knight's Mortgage Analytics and Performance Dashboard, which also allowed NJHMFA to identify municipal units with local distress rates above the state's average local distress rate.¹ Applying these extrapolated

¹ For statistical reference, the sample of local area zip codes included 522 zip-codes, with a median distress rate of 8.1%; an average of 8.9%; a variance of .0026; and a standard deviation of .0513.

distress rates against these figures, NJHMFA has estimated the absolute number of distressed mortgages within each PUMA.

Although NJHMFA will market the program statewide, NJHMFA will prioritize supplemental outreach in target areas of known distress given the findings of our needs assessment and targeting analysis, including but not limited to Hackensack; South Plainfield; Woodbridge; North Plainfield; Newark; Belleville; Irvington; Union; Roselle; Willingboro; Camden; and Millville to prioritize program uptake among socially disadvantaged and low-income New Jersey homeowners.

Since submitting our original HAF Plan, NJHMFA HAF staff has been in contact with Michael Neal, Senior Research Associate at the Urban Institute. Under the research direction of Mr. Neal, the Urban Institute has prepared a relevant dataset of recommended demographic and income characteristics for HAF targeting, along with a specific report² on the needs of socially disadvantaged homeowners in Newark. Similar to the Urban Institute, NJHMFA has considered most of the same demographic and income characteristics while conceptualizing its HAF program and relevant targeting methodology – leading to many of the same findings posited by the Urban Institute in their recent research. The consistency of the findings from the two independent methodologies confirms NJHMFA’s targeting approach.

Community Engagement and Public Participation

Treasury Feedback: Please provide an update indicating any public comments you have received since you submitted your HAF Plan, from which organization you received any such comment, and whether you have responded to the comment.

NJ Response: NJHMFA has continued to engage with the public since submission of the HAF plan. The Agency continues to engage in external outreach events including the Burlington County Housing Fair; the Ocean County Housing Fair; the Fair and Affordable Housing Expo; the New Jersey League of Municipalities Convention; and the upcoming Triple Play Realtor Expo. Additionally, the Agency has continued to coordinate with Housing Counseling Agencies (HCAs) and Legal Services of NJ (LSNJ) to increase awareness of the coming statewide launch of NJHMFA’s HAF programming. Feedback at these events was received from members of the public, participating housing counselors, and interested nonprofit organizations. The questions and comments received overwhelmingly revolved around the timing of the launch of the Statewide program. Other questions tended to relate to eligibility and application requirements.

² Neal, Michael; Pang, Daniel. “How Newark, New Jersey, Provides a Template for Targeting the Homeowner Assistance Fund”. *The Urban Institute*. September, 2021. https://www.urban.org/research/publication/how-newark-new-jersey-provides-template-targeting-homeowner-assistance-fund/view/full_report.

Ongoing Assessment of Homeowner Need

Treasury Feedback: No questions.

Program Design

Treasury Feedback: Please explain how the sources of data listed in the section on Homeowner Needs informed the Program Design Elements included in your plan.

NJ Response: According to the 2014-2019 American Community Survey (ACS), there are approximately 1.37 million owner-occupied housing units with a mortgage in New Jersey.³ While New Jersey's population is among the most diverse in the nation, its homeowner population is less diverse. Approximately 42% of New Jersey's mortgage holders fall below New Jersey's median family income of \$106,000, and 30% of the mortgage-holding population are households that identify as members of a community that the Treasury guidance defines as socially-disadvantaged.⁴ New Jersey has a large population of vulnerable, low-income homeowners that are diffusely spread across the state's urban, suburban, and rural communities – each of which have faced unique regional economic pressures due to the COVID-19 pandemic. Immediately following the onset of the pandemic, New Jersey's economy experienced some of the nation's most severe job losses. This was especially true for counties with predominately service-sector economies with large concentrations of small businesses, such as Atlantic, Essex, and Passaic counties. Indeed, Atlantic County experienced unemployment rates commensurate with those experienced at the height of the Great Depression.

Within each economic region, disparities in the impact of the prevailing local economic constraints were evident. Of the 1.5 million initial unemployment insurance claims filed in New Jersey, nearly 54% of all claimants were women, while individuals identifying as Black and/or Hispanic were more likely to have filed a claim than other races and ethnicities. Five occupational groups accounted for more than half of all claimants: office and administrative, retail sales, transportation, food services, and personal services.⁵ While market conditions and the broader economy have improved over the past few months, state and county unemployment rates remain higher than pre-COVID-19 levels, keeping economic uncertainty and housing instability high.

³ United States Census Bureau, 2014-2019 American Community Survey, Table B25081: Mortgage Status.

⁴ NJHMFA Calculations, United States Census Bureau, 2014-2019 American Community Survey Public Use Microdata.

⁵ New Jersey Department of Labor and Workforce Development, Office of Research and Information, Division of Economic and Demographic Research. *Economic Brief: New Jersey's Changing Economy and the Recent Impact of the COVID-19 Pandemic*. September 2020. <https://nj.gov/labor/lpa/pub/NJ%20Economic%20Report%202020.pdf>.

Given the potential disparate impact that a foreclosure spike would have on New Jersey's most vulnerable households⁶, the ERMA program is designed to bring delinquent mortgages current and remove other liens and arrears, thereby preserving homeownership and owner equity. In addition, expansive housing counseling offers homeowners support and resources to access other appropriate avenues for assistance.

Treasury Feedback: Will there be a method in your HAF program, early in the process of engaging with a household, to evaluate immediate threats to the housing stability of applicants, which may need to be addressed under an expedited or prioritized timeline (e.g., HOA liens, tax delinquencies, utility shut off)?

NJ Response: The intake system captures items such as pending sheriff sales to allow for prioritization of loans that need immediate action. The system sets a flag that is easily identifiable by program staff and is reportable by management in order to identify those files in need of immediate review.

The housing counseling agency intake process will also account for identifying exigent circumstances that require prioritization, which will include a path for prioritization with a direct line to program management. Additionally, counselors' engagement encompasses a broad array of services to assist homeowners in need. Where circumstances require it, counselors will counsel homeowners on the full spectrum of available resources, including loss mitigation, local programs, and foreclosure mediation counseling.

Treasury Feedback: Please describe how your program will utilize housing counselors or legal services to assist homeowners in evaluating loss mitigation options available for their mortgage. Your description should include whether your program will connect homeowners with housing counseling or legal services early in the process.

NJ Response: Applicants who wish to utilize the services of housing counseling agencies will be identified during the intake process. Those who are in need of forward mortgage payment assistance or need help navigating the application submission process will be immediately routed to a housing counseling agency for support.

Treasury Feedback: The role housing counseling or legal services providers will play in supporting homeowners' efforts at engaging in loss mitigation.

NJ Response: NJHMFA has a long history of working with housing counselors through existing programs such as the New Jersey Foreclosure Mediation Assistance Program (FMAP) and the NeighborWorks Housing Stabilization Counseling Program (HSCP). These robust, long-standing relationships are being leveraged to ensure that the housing counseling agencies

⁶ https://www.urban.org/research/publication/how-newark-new-jersey-provides-template-targeting-homeowner-assistance-fund/view/full_report

are able to provide full counseling services to applicants. This will include HAF application assistance, as well as exploring other options like loss mitigation, foreclosure mediation, and post-assistance options for ensuring long-term housing stability.

Treasury Feedback: How will your program leverage the resources available through a loss mitigation process to benefit eligible homeowners and how will your program avoid using HAF funds in ways that duplicate relief that available loss mitigation options might provide?

NJ Response: Due to timing of the expiration of forbearance agreements, servicer requirements to begin loss mitigation within investor-required timelines, and the prospective launch timeframe for HAF, many ERMA applicants' mortgage holders will have already begun the loss mitigation process prior to application for our program. Especially in judicial foreclosure states like New Jersey, loss mitigation can take many months and present significant administrative burdens to at-risk homeowners; the earlier our assistance can be provided, the more likely the Agency will be able to intervene and assist homeowners in avoiding displacement from their homes and communities. As part of our program, housing counselors will work through the options with applicants and recommend the best path forward, whether it includes ERMA assistance, loss mitigation, or both, for the applicant in accordance with their individual circumstances.

Treasury Feedback: Please explain what steps, if any, your program will take to assist the homeowner in determining whether a HAF-resolution will result in a sustainable monthly payment?

NJ Response: Debt-to-income (DTI) limits will assist with this determination, as recipients will need to demonstrate that the post-assistance DTI does not exceed 45%, thereby leaving them with a sustainable payment as well as retaining their partial claim eligibility should they experience future default.

Homeowners whose mortgages are brought current by HAF and/or loss mitigation resources may also have opportunities to explore refinancing their mortgages given the current low interest rate market and the recent appreciation of home values. ERMA payments are a precursor to accessing flexible and market-based options unavailable to delinquent mortgage holders. Housing counselors will be made available to assist in considering these options.

Treasury Feedback: Are you anticipating increased winter home energy costs and their potential impact on the homeowners that HAF will serve?

NJ Response: Emergency energy programs are being offered by other New Jersey state entities including the New Jersey Board of Public Utilities (NJBPU) and New Jersey Division of Community Affairs (NJDCA). NJDCA's program has already included outreach to more than 350,000 households. Some of these programs are utilizing American Rescue Plan Act funds.

Given this fact, NJHMFA will provide limited energy support to avoid duplication of benefits challenges, providing assistance only in cases where energy payment delinquencies may result in a lien that could threaten homeownership stability. This offers a key aspect of energy cost support specifically relevant improving housing stability for delinquent homeowners. NJHMFA will work with other relevant stakeholders in government to ensure that eligible applicants can apply for the other available programs, including emergency energy assistance.

Treasury Feedback: Your program set \$35,000 as the maximum amount of assistance per homeowner. Please explain how you determined this amount will be sufficient to resolve housing-related delinquencies and whether the cap will be sufficient in areas with higher housing costs?

NJ Response: New Jersey's estimated median selected monthly owner costs (SMOC) are \$2,465, as estimated by the 2014-2019 ACS. Mortgage payments, including taxes, insurance, principal, and interest are estimated to account for approximately \$2000 monthly. At \$35,000, this will cover up to 17 months of mortgage payments for the average homeowner's payment. Given that during the height of the pandemic many New Jersey mortgagees in forbearance were still making payments or were still current, the expectation is that the majority of arrearages will be covered by \$35,000. Those with arrearages higher than \$35,000 were likely not current prior to the pandemic or have substantially higher monthly housing costs, indicating a generally higher income and are more likely to be ineligible under Treasury guidelines.

NJHMFA understands that \$35,000 may not be sufficient in all cases. However, the maximum amount was determined so as to balance available funds versus the statewide need to ensure that the program would help as many people as possible. Our assistance may be combined with other resources to yield a complete result where the borrower is left current with a sustainable mortgage payment. These other resources may include loss mitigation, negotiations with the lender, local programs, or personal assets. The engagement of housing counselors will assist in the coordination of these resources.

Eligibility

Treasury Feedback: Please provide the rationale for establishing the following additional eligibility requirements specified in your plan, including how you determined these requirements will not create unnecessary barriers to participation by eligible homeowners: Reduction of income or increase in household expenses by at least 10%.

NJ Response: Treasury guidance requires the program to establish that the applicant was financially impacted by COVID-19. This impact could have been a loss of income or an increase in COVID-related expenses that resulted in an inability for the borrower to meet their monthly housing obligations. Costs such as home health care, funeral expenses, medical expenses or childcare costs all contributed to many homeowners' inability to keep their

mortgage up to date. NJHMFA utilized its experience with prior foreclosure avoidance program administration to establish the 10% income reduction or cost increase threshold for a substantial financial hardship. NJHMFA previously implemented programs with a 15% threshold requirement, but later determined that 10% was a more reasonable requirement for applicants.

Treasury Feedback: Homeowners may not have liquid assets (excluding retirement assets and education savings plans) equal to or greater than the amount of their approved Program assistance.

NJ Response: This requirement helps focus attention on those with the highest need. The need for mortgage assistance in New Jersey outpaces current available funding. As a result, this requirement directs assistance towards those most likely to be in danger of foreclosure. The liquid asset test reviews assets as part of an individualized underwriting assessment based on documentation submitted during the application. The applicant is not required to perform the asset test calculations. Rather, a review of the supplied documentation will be completed by the underwriting staff. This requirement will not substantially raise any barriers to application, and award of funding will be prioritized based on need.

Documentation Requirements:

Treasury Feedback: Valid Identification.

NJ Response: The state has an interest in confirming the identity of the applicant to reduce fraud, waste, and abuse. Additionally, establishing property ownership will be a key factor in providing assistance to eligible individuals. The form of identification required is flexible. NJHMFA does not anticipate this requirement will be a barrier to participation as an individual would have produced some form of identification in order to close on a mortgage loan.

Treasury Feedback: Hardship Affidavit.

NJ Response: U.S. Treasury guidance requires that eligibility is premised on experiencing a hardship. This requirement ensures that applicants attest to hardship via supplied documents in our application portal or from the housing counseling agency. The applicant is not required to write their own form of hardship affidavit, instead they will execute a document generated by the application portal.



Treasury Feedback: Third Party Authorization.

NJ Response: A lender or servicer is unable to share pertinent mortgage and delinquency information without authorization from the borrower. This document is provided to the applicant during the application process and only requires that the applicant sign to approve the authorization.

Treasury Feedback: Mortgage Statement (if available).

NJ Response: The mortgage statement is helpful for expediting the ERMA application process and will help get money to applicants more quickly. The statement will allow the application processor to verify certain information, included but not limited to property address, names of mortgagors, and approximate arrearage. Since the document is not required, it will not create a burden on the applicant.

Treasury Feedback: Income Determination Documents.

NJ Response: These documents will ensure that the assistance is being delivered to those who Congress and U.S. Treasury have defined as eligible based on income.

Treasury Feedback: Please provide the rationale for not using a fact-specific proxy as one method for establishing eligibility under your plan, including how you determined that without such a proxy, your program can avoid unnecessary barriers to participation by eligible homeowners.

NJ Response: NJHMFA is balancing the priority of streamlining the process for applicants against the need to ensure beneficiaries meet the requirements set forth for HAF. New Jersey's population is geographically diffuse across regions, and encompasses urban, suburban, and rural communities. Any fact-based proxy would be unlikely to effectively capture those most likely to be in need of assistance and may disadvantage low-income individuals who live within census tracts with higher AMI levels. Moreover, New Jersey is the most densely populated state in the country, hosting four of the five most dense municipalities in the nation. This results in diverse populations often living within the same zip code or census tract. Applying the same income determination assumption to this diverse group may result in factually ineligible applicants receiving HAF aid using a proxy determinant at the expense of the intended homeowners. NJHMFA is documenting all of the items that are required to evidence eligibility but remains flexible with the type or form of documentation which will be acceptable; this should allow for flexibility when evaluating divergent and varied circumstances.

Outreach

Treasury Feedback: No questions.

Prioritization

Treasury Feedback: If your program intends to serve households who are over the 100% AMI threshold, how will your program prioritize Socially Disadvantaged Individuals?

NJ Response: As noted earlier, socially disadvantaged homeowners will be prioritized through a dedicated and coordinated marketing effort that has been informed by NJHMFA's rigorous needs assessment and targeting analysis. These target areas will each receive a specific marketing and outreach approach unique to those communities to prioritize program uptake among the known socially disadvantaged and low-income homeowners in these areas. Community outreach in the targeted areas will include strategic partnerships with minority, community, and regional organizations, faith leaders, local associations, business organizations, and elected officials. These efforts will amplify messaging while building trust and community validation of NJHMFA's HAF programming. NJHMFA understands that many at-risk and socially disadvantaged communities that meet our targeting goals may also be distrustful of government or require more encouragement to consider applying to the program. Community leaders and local grassroots organizations can break down these barriers and help connect those in need to the resources available to them. This has proven true in prior marketing efforts during Hardest Hit Fund (HHF) and Superstorm Sandy relief programs. It was also a consideration raised multiple times during our listening sessions with the public and interested parties. As such, NJHMFA plans to develop content featuring community leaders that can easily be shared across a variety of digital and media channels, while engaging in live, in-person community events as deemed safe by state and local health officials.

NJHMFA systems capture all relevant AMI, gender, racial and ethnicity data in a disaggregated manner. We will maintain dashboard reporting of how much of our HAF funding is being awarded to Socially Disadvantaged Individuals. NJHMFA will monitor and adjust eligibility criteria as necessary over time to ensure that the appropriate amount of funding (in accordance with U.S. Treasury guidance) is being allocated to households below 100% and Socially Disadvantaged Individuals.

Performance Goal

Treasury Feedback: Please explain how you intend to communicate your progress towards performance to the public.

NJ Response: NJHMFA’s program reporting will follow U.S. Treasury’s HAF Guidance. Per U.S. Treasury’s guidance, NJHMFA anticipates submitting quarterly reports to Treasury that will include financial data, targeting data and other information, and an annual program impact report. Copies of our performance reports will be publicly available via the NJHMFA website, www.njhousing.gov.

Treasury Feedback: Please indicate which three metrics will serve as the best indicators of the success of your program.

NJ Response: NJHMFA believes that these three metrics will serve as the best indicators for program success, as they directly monitor program priorities and goals: 1) The number of households assisted in avoidance of foreclosure or other homeowner displacement via our mortgage reinstatement, mortgage payment assistance and non-mortgage housing expense repayment programs. 2) The percentage of assisted households that are below 100% of AMI, and for those households above 100% of AMI, the percentage of assistance provided to Socially Disadvantaged Individuals. 3) The number of households served by Housing Counseling Agencies via HAF funding.

Treasury Feedback: Please indicate whether you intend to disaggregate metrics by income, race, gender, etc.

NJ Response: Per U.S. Treasury guidance, NJHMFA is targeting and prioritizing socially disadvantaged homeowners across New Jersey. In order to analyze and view our program results through an equity lens, NJHMFA will analyze program results and metrics disaggregated by several income and demographic characteristics to ensure that our program is reaching both low-income and socially disadvantaged target populations. This will include income; race and ethnicity; and gender.

Readiness

Treasury Feedback: Please provide the most recent available information about your program's readiness, including staffing, contractors, etc.

NJ Response: NJHMFA’s application portal is open and currently receiving applications for the pilot program. Our processing and underwriting vendor is under contract. Their teams have been trained on the processing and underwriting requirements, as well as the use of the system and have already begun reviewing pilot program applications. Housing counseling agencies are under contract to work with program applicants to not only complete ERMA applications, but to also review other mitigation strategies that may be available. Internal support staff has been hired to handle the pilot program, and additional full program staff are ready to be hired pending Treasury approval of NJHMFA’s program.



Treasury Feedback: Is your program prepared to launch upon approval and, if not, by what date will you be ready to launch following approval?

NJ Response: The program will be ready to launch within 30 to 60 days after both U.S. Treasury and NJHMFA Board approval. This will allow time for final staff ramp up and to complete the processing cycle for pilot programs loans, while amending any processes that prove suboptimal.

Treasury Feedback: Please provide updated information about your progress in spending the initial 10% payment from your jurisdiction's full allocation and the status of any pilot assistance already offered or made available to homeowners.

NJ Response: Key vendors and staff were engaged to complete planning and achieve readiness for launch. This included our technology vendor, HOTB, which has built and launched the application portal and loan processing software, as well as our processing and underwriting vendor, Metasource. We have hired a number of staff who have been trained on the program and are already assisting with homeowner inquiries. Our pilot program has launched and recently began receiving applications. Our initial marketing to the pilot applicant pool has been sent, including a postcard campaign and direct-to-applicant emails to encourage application. We have over 175 applicants who are in various stages of the application and review cycle. We expect to fund our first loans from the pilot program in late November or early December.

Budget

Treasury Feedback: No questions.

Respectfully submitted,

The State of New Jersey
Department of Community Affairs
New Jersey Housing and Mortgage Finance Agency