



# The American Dream Downpayment Initiative

## Central Jersey Housing Resource Center (CJHRC) Guidelines for Somerset County

The American Dream Downpayment Initiative (ADDI), which is part of the Somerset County HOME Investment Partnership (HOME) Program, aims to increase the homeownership rate, especially among lower income and minority households. This program will help lower-income, first-time homebuyers with a loan, up to \$10,000.

### BASIC INFORMATION ABOUT THE SOMERSET COUNTY ADDI PROGRAM:

#### Eligibility and Process:

- Applicants must live or work in Somerset County, purchase a home in Somerset County, and be a first-time homebuyer, defined as an individual or couple who have not owned a home during the three-year period prior to the purchase of a home.
- Applicants must be out of attorney review and have a completed home inspection, with the home meeting HUD's Housing Quality Standards (HQS).
- Funds may be used to purchase single family housing, condominium unit, cooperative unit, or manufactured housing.
- Applicants must be credit worthy and not mortgage more than 4 times their gross income.
- Total household income is used to qualify for the program. This includes income – earned and unearned – from all sources for all members of the household who are over age 18.
- Qualified individuals must have household incomes not exceeding 80% of area median income. For 2020, these numbers are as follows:

One person	- \$66,950	Five people	- \$103,250
Two people	- \$76,500	Six people	- \$110,900
Three people	- \$86,050	Seven people	- \$118,550
Four people	- \$95,600	Eight people	- \$126,200

- Due to lead paint regulations, homes must be built after 1978 or be certified as free of lead paint.
- Must complete a homebuyer education program offered by a HUD-certified housing counseling agency prior to signing the contract of sale.
- Must complete at least one one-on-one housing counseling session to review projected budget; if applicant is unable to meet post-purchase housing costs, applicant will be ineligible.
- Applicant must have saved at least 5% of the purchase price.

#### Terms:

- There will be a five-year deed restriction/lien. If the ADDI recipient(s) stay in the home for the full five years and adhere to all requirements, the restriction will be lifted. If the recipient(s) sell the home, or it is no longer their primary residence prior to the five-year restriction expiring, then the ADDI loan will be recaptured as per provisions in the County Annual Action Plan and must be paid back in full. This **is not** prorated. For example: If you buy the home and are given ADDI funds, and move out 4 years later, you would be required to pay back the full amount. It is an interest-free loan.
- Applicants who work for or are related to someone who works for CJHRC or Somerset County government may not be eligible due to the conflict of interest clause in the Code of Federal Regulations (24 CFR 92.356).

#### Over-enrichment/Subsidy Layering

In accordance with the regulations of the HOME Program, the County must evaluate a project and certify that it will not invest any more HOME funds than are necessary to provide affordable housing. Therefore, the County will use an asset test to ensure that ADDI funds are provided to individuals and families who best meet the intended loan criteria. Applicants who can put 10% down, cover all closing costs, or still be left with \$10,000 of liquid assets after closing will not qualify. Applicants with combined liquid assets greater than 30% of the purchase price will not be considered, unless there are documented extenuating circumstances. Applicants whose monthly payments (including maintenance fees and DCA-issued utility allowances) are less than 30% of their gross income will not qualify, unless the transaction will leave the applicant's household with less than 1% of the purchase price in liquid assets. In this situation, the applicants may be eligible for a grant equivalent to 3% of the purchase price. Total funding from all grants – including HOME – is capped at 10% of the purchase price of the home. Finally, if an application is rejected, a household cannot reapply for a grant to use toward the same unit.

## ATTACHMENT A

### What you need to apply and supply to CJHRC to be considered for ADDI Funds: APPLICATION CHECKLIST – ALL OF THE FOLLOWING ARE NEEDED:

To ensure that your application for ADDI funds is complete and can be processed, **please make sure you have included the following, required documentation.** **Note: For every household member 18 years of age or older the documentation listed below is also required:**

- 1) \_\_\_ Copy of the executed Contract of Sale. **All** parties must have completed and signed (both seller and purchaser) applicable sections of the contract. **This should be submitted to CJHRC with all documents within 10 days of being out of attorney review.**
- 2) \_\_\_ Copy of the home inspection report. **This needs to be submitted to the Community Development Office as part of your loan application.** A copy of the appraisal will be needed at the time of your closing.
- 3) \_\_\_ Proof of monthly maintenance fees from homeowner's association (if applicable)
- 4) \_\_\_ Copy of good faith estimate or loan estimate from your lender
- 5) \_\_\_ Tax returns for **3 consecutive** years, **both** Federal (1040 **not W-2 forms**) and State. If you cannot locate your federal tax return, copies can be obtained - call 1-800-829-1040.  
Federal Taxes:        \_\_\_ 2019        \_\_\_ 2018        \_\_\_ 2017  
State Taxes:         \_\_\_ 2019        \_\_\_ 2018        \_\_\_ 2017
- 6) \_\_\_ **Four (4) consecutive and current** pay stubs for each working household member over 18.  
**Note: If you don't have four pay stubs submit:** A letter from your employer, on letterhead, indicating length of employment, gross annual income or number of hours worked per week and the hourly wage.
- 7) \_\_\_ Three (3) months of checking and savings account statements (all pages)
- 8) Documentation to confirm income from any of the following applicable sources:
  - \_\_\_ Pension – 4 current and consecutive payment stubs or statements or copies of checking account statements or written proof from the Pension Company
  - \_\_\_ Social Security- recent Benefits letter or copies of 4 social security checks/stubs
  - \_\_\_ Unemployment Compensation - Benefits letter and copies of 4 payment stubs
  - \_\_\_ Section 8 if purchasing in the Section 8 to Homeownership Program-- a valid/unexpired voucher or other written proof
  - \_\_\_ Child Support - copy of the divorce or separation agreement with signatures and copies of four current and consecutive pay stubs or receipts with a letter from the payor and payee stating amount paid and received. Letters must be notarized
  - \_\_\_ Documentation to confirm interest income/proof of assets - recent statements including IRAs, Savings Bonds and other Retirement accounts including 401Ks
  - \_\_\_ Any other sources of income must be documented, written proof is required
  - \_\_\_ A pre-approval from a financial organization is required. **You cannot mortgage more than 4 times your gross annual household income.**
  - \_\_\_ If using your down-payment funds, you must prove you saved these on your own without liquidating an existing retirement account.
- 9) \_\_\_ Circumstances when you will need a notarized letter: \* If you do not earn an income \* did not file tax returns for any year noted above \* do not own a bank account \* if you are going through a divorce \* own a home or property. Explain the specifics of your situation in writing, sign and date, and have the letter notarized. **ORIGINALS MUST BE SUBMITTED.**
- 10) \_\_\_ You must submit the name, phone number, facsimile number and address of your attorney and the seller's attorney

**FOR MORE INFORMATION ON SOMERSET COUNTY ADDI PROGRAM CALL:  
Central Jersey Housing Resource Center (908) 446-0038 or  
Somerset County Community Development Office (908) 541-5756**

**THE FOLLOWING NJ COUNTIES CURRENTLY HAVE AN ADDI PROGRAM. PLEASE  
CONTACT THEM FOR THEIR DETAILED PROGRAM INFORMATION:**

**Atlantic County**

**Tel (609) 348-3001  
Fax (609) 343-2374  
Forest Gilmore**

**Mercer County**

**Tel (609) 989-6858  
Fax (609) 989-0306  
Edward Pattik  
Email: [housing@mercercounty.org](mailto:housing@mercercounty.org)**

**Middlesex County**

**Tel (732) 745-3025  
Fax (732) 745-4117  
Melissa Bellamy  
Email:  
[melissa.bellamy@co.middlesex.nj.us](mailto:melissa.bellamy@co.middlesex.nj.us)**

**Somerset County**

**Tel (908) 541-5756  
Fax (908) 575-3935  
Kimberly Cowart  
Email: [CommDev@co.somerset.nj.us](mailto:CommDev@co.somerset.nj.us)**

NOTE: Contact the county where you are purchasing to find out about their requirements for the ADDI program. Other County requirements may be different than the Somerset County program described in this handout. Also, funding opportunity/timing of funds varies - we suggest you contact the Community Development office for the county you are buying in to see if they have an ADDI program at the time you are out of attorney review.

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