

55:14K-54

LEGISLATIVE HISTORY CHECKLIST  
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("Affordable Home Ownership Opportunities Act")

NJSA: 55:14K-54

LAWS OF: 1995 CHAPTER: 343

BILL NO: A276

SPONSOR(S): Heck

DATE INTRODUCED: Pre-filed

COMMITTEE: ASSEMBLY: Housing; Appropriations

SENATE: Community Affairs; Budget

AMENDED DURING PASSAGE: Yes Amendments during passage denoted by  
Second reprint enacted superscript numbers

DATE OF PASSAGE: ASSEMBLY: February 6, 1995

SENATE: December 11, 1995

DATE OF APPROVAL: January 5, 1996

FOLLOWING STATEMENTS ARE ATTACHED IF AVAILABLE:

SPONSOR STATEMENT: Yes

COMMITTEE STATEMENT: ASSEMBLY: Yes 3-7-94 & 12-8-94

SENATE: Yes 5-15-95 & 11-27-95

FISCAL NOTE: No

VETO MESSAGE: No

MESSAGE ON SIGNING: No

FOLLOWING WERE PRINTED:

REPORTS: No

HEARINGS: Yes

974.90 New Jersey. Legislature. General Assembly. Housing Committee.  
H842 Committee meeting...testimony regarding the efforts made to date  
1997a to implement legislative enactments. February 10, 1997. Trenton,  
1997.

KBP:pp

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STATE OF NEW JERSEY

PRE-FILED FOR INTRODUCTION IN THE 1994 SESSION

By Assemblywoman HECK, Assemblymen CATANIA  
and Gibson

1 AN ACT establishing a program to assist low and moderate  
2 income families to attain home ownership, and supplementing  
3 P.L.1966, c.293 (C.52:27D-1 et seq.).  
4

5 BE IT ENACTED *by the Senate and General Assembly of the*  
6 *State of New Jersey:*

7 1. This act shall be known and may be cited as the "Affordable  
8 Home Ownership Opportunities Act of <sup>1</sup>[1992] 1995<sup>1</sup>."

9 2. The Legislature finds, determines and declares:

10 a. Housing problems in this State have been, and continue to  
11 be, acute, especially in that adequate accommodations, at  
12 affordable cost, are increasingly unavailable to lower-income  
13 families, and prospective home buyers in all but the higher  
14 income categories are thwarted by the formidable costs of home  
15 acquisition.

16 b. Accordingly, it is the purpose of this act to establish a  
17 program to aid nonprofit organizations in endeavors to develop  
18 home-ownership opportunities for lower-income purchasers who  
19 are prepared to invest their personal efforts in the construction  
20 or rehabilitation of their own housing units.

21 3. As used in this act:

22 "Affordable Home Ownership Opportunities Bonds" means  
23 <sup>1</sup>any<sup>1</sup> bonds of the New Jersey Housing and Mortgage Finance  
24 Agency <sup>1</sup>[issued pursuant to] that provide funds to facilitate<sup>1</sup> the  
25 provisions of this act.

26 "Agency" means the New Jersey Housing and Mortgage  
27 Finance Agency.

28 "Annual income" means total income, from all sources, during  
29 the last full calendar year preceding the filing of an application  
30 for a loan pursuant to this act.

31 "Bonds" means bonds, notes or any other form of evidence of  
32 indebtedness of the agency, bearing either a fixed rate or a  
33 variable rate of interest, issued by the agency.

34 "Eligible project" means a project for the creation of low or  
35 moderate income housing which meets the standards of eligibility  
36 for loans under the program created by this act.

37 "Eligible purchaser" means a purchaser of a dwelling unit in an  
38 eligible project to whom a loan may be made under the program  
39 pursuant to section 5 of this act.

40 "Fund" means the Affordable Home Ownership Opportunities  
41 Fund established by section 5 of this act.

42 "Housing region" means a housing region as defined in

EXPLANATION--Matter enclosed in bold-faced brackets [thus] in the  
above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

<sup>1</sup> Assembly floor amendments adopted December 15, 1994.

<sup>2</sup> Senate SBA committee amendments adopted November 27, 1995.

1 subsection b. of section 4 of the "Fair Housing Act," P.L.1985,  
2 c.222 (C.52:27D-304) and determined by the Council on  
3 Affordable Housing pursuant to section 7 of that act, P.L.1985,  
4 c.222 (C.52:27D-307).

5 "Local enforcement authority" means any officer or agency of  
6 local government responsible for the implementation or  
7 enforcement of land-use and building regulations established by  
8 or pursuant to the "State Uniform Construction Code Act,"  
9 P.L.1975, c.217 (C.52:27D-119 et seq.) or the "Municipal Land  
10 Use Law," P.L.1975, c.291 (C.40:55D-1 et seq.).

11 "Low income" means a gross annual household income equal to  
12 50% or less of the median gross annual household income for  
13 households of the same size within the relevant housing region.

14 "Moderate income" means a gross annual household income  
15 equal to not more than 80%, but more than 50% of the median  
16 gross annual household income for households of the same size  
17 within the relevant housing region.

18 "Program" means the Affordable Home Ownership  
19 Opportunities Program created by this act.

20 "Qualified nonprofit organization" means any corporation or  
21 association of persons organized under Title 15A of the New  
22 Jersey Statutes, having for its principal purpose, or as a purpose  
23 ancillary to its principal purpose, the improvement of realistic  
24 opportunities for low income and moderate income housing, as  
25 defined pursuant to the "Fair Housing Act," P.L.1985, c.222  
26 (C.52:27D-301 et al.), being within the description of section  
27 501(c)(3) of the United States Internal Revenue Code (26 U.S.C.  
28 §501(c)(3)), having been determined by the agency to be a bona  
29 fide organization not under the effective control of any  
30 for-profit organization or governmental entity, and appearing  
31 capable, by virtue of past activities, qualifications of staff or  
32 board, or other features, of furthering the purposes of this act.

33 "Substantial rehabilitation" means repair, reconstruction or  
34 renovation which (1) costs in excess of 60% of the fair market  
35 value of a rehabilitated dwelling after such repair, reconstruction  
36 or renovation, or (2) renders a previously vacant and  
37 uninhabitable dwelling safe, sanitary and decent for residential  
38 purposes, or (3) converts to safe, sanitary and decent residential  
39 use a structure previously in non-residential use.

40 4. a. In furtherance of the public policy of this act, the  
41 agency shall set aside, from the bonds of the agency <sup>1</sup>[authorized  
42 to be issued]<sup>1</sup>, an amount to be determined by the agency of the  
43 total aggregate original principal amount of such bonds <sup>1</sup>[. These  
44 bonds shall be issued as determined by the agency and shall be  
45 known as "Affordable Home Ownership Opportunities Bonds," in  
46 addition to any other name they may be known as] to provide  
47 mortgage loans to purchasers under the Affordable Home  
48 Ownership Opportunities Program created pursuant to this act<sup>1</sup>.

49 b. <sup>1</sup>[Affordable Home Ownership Opportunities Bonds may be  
50 issued in low denominations and in the form or forms, whether  
51 coupon, fully-registered or book entry, and with or without  
52 provisions for interchangeability thereof, as may be determined  
53 by the agency in such amounts as will provide sufficient funds for  
54 the exclusive purpose of assisting] The purpose of these bonds

1 shall be to assist<sup>1</sup> qualified nonprofit organizations in the  
2 creation of eligible low and moderate income housing projects in  
3 the manner and to the extent provided in the program established  
4 by this act.

5 c. <sup>1</sup>[When Affordable Home Ownership Opportunities Bonds  
6 are issued from time to time, the bonds of each issue shall  
7 constitute a separate series to be designated by the agency. Each  
8 series of] The<sup>1</sup> bonds <sup>1</sup>[so designated]<sup>1</sup> shall bear the rate or  
9 rates of interest as may be determined by the agency, which  
10 interest shall be payable as may be determined by the agency.

11 5. a. There is hereby established in the agency the  
12 Affordable Home Ownership Opportunities Program and the<sup>1</sup>  
13 Affordable Home Ownership Opportunities Fund, which <sup>1</sup>fund<sup>1</sup>  
14 shall be continuing and nonlapsing, for the purpose of assisting  
15 the financing of eligible projects pursuant to this act. Moneys in  
16 the fund not immediately required for payment or liquid reserves  
17 may be invested and reinvested by the agency in the same manner  
18 in which other agency funds may be invested.

19 b. There shall be paid into the fund: (1) <sup>1</sup>[all proceeds from  
20 the sale of bonds pursuant to section 4 of this act; (2)]<sup>1</sup>  
21 otherwise uncommitted reserves of the agency and available for  
22 this purpose, in amounts to be determined by the agency to be  
23 prudent and appropriate; <sup>1</sup>[(3) loan repayments received pursuant  
24 to section 6 of this act; (4)] <sup>1</sup>(2)<sup>1</sup> any income earned upon  
25 investment of moneys in the fund by the agency pursuant to  
26 subsection a. of this section; and <sup>1</sup>[(5)] <sup>1</sup>(3)<sup>1</sup> any other funds that  
27 may be available to the fund through appropriation by the  
28 Legislature or otherwise.

29 c. Moneys in the fund shall be used exclusively for (1) funding  
30 loans pursuant to section 6 of this act<sup>1</sup>; (2) paying the interest  
31 on and repaying the principal of bonds issued pursuant to section  
32 4 of this act;<sup>1</sup> and <sup>1</sup>[(3)] <sup>1</sup>(2)<sup>1</sup> defraying the administrative costs  
33 of the agency in carrying out the purposes and provisions of this  
34 act, but not more than 2 per cent of the proceeds of the bonds  
35 authorized and actually <sup>1</sup>[issued] expended<sup>1</sup> pursuant to section 4  
36 of this act shall be used for such administrative costs.

37 d. Interest upon loans to eligible purchasers shall be  
38 established by the agency at the lowest rate compatible with the  
39 integrity of the fund and its proper administration, maintenance  
40 of adequate reserves and the ability of the agency to pay the  
41 interest upon and repay the principal of bonds <sup>1</sup>[issued pursuant  
42 to section 4 of this act] under the program<sup>1</sup>.

43 6. a. The agency is hereby authorized to make loans <sup>1</sup>[out of  
44 the fund] under the program<sup>1</sup> to qualified purchasers of dwelling  
45 units from nonprofit organizations undertaking eligible projects  
46 that meet the requirements of section 7 of this act.

47 b. Loans made pursuant to this act shall be to low and  
48 moderate income purchasers of dwelling units within the project  
49 for which the loan is made, who intend making such dwelling units  
50 their principal place of residence, and who have entered into  
51 agreements with a qualified nonprofit organization to participate  
52 to the extent of their abilities in the actual work of construction  
53 or substantial rehabilitation. The terms of any such agreement  
54 shall provide that, if the prospective purchaser fails or refuses to

1 carry out his obligations thereunder, or withdraws from  
2 participation in the project before completion of the project or  
3 any portion thereof to which his obligation extends, the nonprofit  
4 organization shall provide for substitution of another prospective  
5 purchaser who shall succeed to all the rights <sup>1</sup>and<sup>1</sup> obligations of  
6 the previous participant subsisting at the time of substitution.

7 (1) Loans made pursuant to this subsection shall be made only  
8 to pre-qualified home purchasers whose eligibility for such loans  
9 under the terms of this act has been determined by the agency  
10 <sup>1</sup>[in accordance with regulations adopted pursuant to section 10  
11 of this act]<sup>1</sup>.

12 (2) A loan made to an eligible purchaser out of funds granted  
13 pursuant to this act shall be secured by a mortgage held by the  
14 agency <sup>1</sup>[and repayable to the fund]<sup>1</sup>. The mortgage shall be  
15 secured by the property purchased by the eligible purchaser and  
16 shall be <sup>1</sup>[repayable] amortized monthly<sup>1</sup>, with interest not to  
17 exceed a rate consistent with the provisions of subsection d. of  
18 section 5 of this act<sup>1</sup>,] . The loan shall be repayable in full<sup>1</sup>  
19 upon sale, lease or other transfer of the property resulting in that  
20 property's ceasing to be the principal residence of that  
21 purchaser; except that such eligible purchaser shall be entitled at  
22 any prior time, and without ceasing to maintain the property as  
23 his principal residence, to make repayment in whole or part. The  
24 agency may <sup>1</sup>[waive] forebear<sup>1</sup> the payment of interest <sup>1</sup>to the  
25 extent it deems prudent and as may be permitted by the  
26 conditions of the bonds<sup>1</sup> in any case in which <sup>1</sup>[he] it<sup>1</sup> finds <sup>1</sup>good  
27 cause and<sup>1</sup> that the exaction of such payment would work an  
28 exceptional hardship upon the borrower.

29 7. A project of new construction or substantial rehabilitation  
30 by a nonprofit organization shall be eligible for a loan under this  
31 act if (1) the homes to be constructed or substantially  
32 rehabilitated under the project are located within an identifiable  
33 neighborhood in which median family income does not exceed the  
34 current standard of "moderate income" pursuant to the  
35 contemporaneous standards of the Council on Affordable Housing;  
36 (2) the homes to be constructed or substantially rehabilitated  
37 under the project are sufficient in number and located on the  
38 same or contiguous parcels of land or within such proximity to  
39 each other as to render the cost per unit of housing practicable  
40 for acquisition by lower-income purchasers; and (3) each home  
41 constructed or substantially rehabilitated within the project will  
42 conform to all requirements of the State Uniform Construction  
43 Code, except as to the waiver of any fee or other requirement  
44 pursuant to subsection b. of section 9 of this act.

45 8. In selecting eligible projects to receive loans from the fund,  
46 the agency shall accord priority to programs in which:

47 a. Private donors or local units of government contribute land  
48 or money to make the program feasible.

49 b. Financial or other contributions from public or private  
50 sources, including tax abatements, waivers of fees relating to  
51 development, waivers of construction, development or zoning  
52 requirements, will reduce the cost of homes to be constructed or  
53 substantially rehabilitated.

54 c. Use of the loans will be efficient, as measured by the

1 number of dwelling units produced in proportion to the amount of  
2 all loans, having due regard to the difference of construction  
3 costs in different housing regions and to the relative costs of  
4 different family-size units.

5 d. Construction costs per square foot compare favorably with  
6 average costs in the same housing region.

7 e. The project will contribute significantly to the  
8 rehabilitation of or removal or prevention of blight in the area in  
9 which it is located, in the judgment of the agency, regardless of  
10 whether the area has been formally designated, in accordance  
11 with statutory procedures, as blighted or in need of rehabilitation.

12 f. The design of the project provides for the involvement of  
13 local residents in its planning and execution.

14 g. The design of the project encourages the development of  
15 housing units suitable for and attractive to households consisting  
16 of extended families, comprising persons related by birth  
17 marriage or descent, being of different generations or adult  
18 siblings of the same generation, or both, living together as a  
19 single household and sharing accommodations, facilities and  
20 functions within the family unit appropriate to their respective  
21 ages, abilities and resources.

22 9. <sup>2</sup>[a.]<sup>2</sup> Any eligible project that conforms to the standards  
23 and requirements of this act and the regulations promulgated  
24 pursuant thereto is hereby declared to be a public work in  
25 furtherance of the housing policy of this State, and any  
26 contribution of property, money or services in furtherance of  
27 such a program by a unit of local government shall be deemed an  
28 expense or cost incurred in furtherance of a public purpose.

29 <sup>2</sup>[b. The Commissioner of Community Affairs, and any local  
30 enforcement authority with the approval of the commissioner,  
31 are authorized to waive any requirements, including fees,  
32 imposed by or pursuant to the "State Uniform Construction Code  
33 Act," P.L.1975, c.217 (C.52:27D-119 et seq.) or the "Municipal  
34 Land Use Law," P.L.1975, c.291 (C.40:55D-1 et seq.), in favor of  
35 an eligible program if in the commissioner's judgment such  
36 waiver is necessary to the financial viability of the program and  
37 would not be prejudicial to the public health, safety and welfare.]<sup>2</sup>

38 10. The agency <sup>1</sup>[shall] is authorized to<sup>1</sup> promulgate the rules  
39 and regulations necessary to effectuate the provisions and  
40 purposes of this act in accordance with the "Administrative  
41 Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.). In  
42 developing these regulations the agency shall examine and  
43 analyze any existing programs of similar type that have been  
44 successfully effectuated in other jurisdictions, and shall endeavor  
45 to formulate criteria and procedures, both for the design and  
46 operation of viable projects and for the selection of and  
47 obligations assigned to individual participants who shall be  
48 assisted by the program.

49 11. This act shall take effect immediately<sup>1</sup>[, but shall remain  
50 inoperative until the adoption of implementing rules and  
51 regulations as prescribed in section 10]<sup>1</sup>.

1

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3 "Affordable Home Ownership Opportunities Act of 1995;"  
4 authorizes HMFA to set aside a proportion of bond issuance for  
5 the Affordable Home Ownership Opportunities Program to make  
6 low-interest loans.

1 local residents in its planning and execution.

2 g. The design of the project encourages the development of  
3 housing units suitable for and attractive to households consisting  
4 of extended families, comprising persons related by birth  
5 marriage or descent, being of different generations or adult  
6 siblings of the same generation, or both, living together as a  
7 single household and sharing accommodations, facilities and  
8 functions within the family unit appropriate to their respective  
9 ages, abilities and resources.

10 9. a. Any eligible project that conforms to the standards and  
11 requirements of this act and the regulations promulgated  
12 pursuant thereto is hereby declared to be a public work in  
13 furtherance of the housing policy of this State, and any  
14 contribution of property, money or services in furtherance of  
15 such a program by a unit of local government shall be deemed an  
16 expense or cost incurred in furtherance of a public purpose.

17 b. The Commissioner of Community Affairs, and any local  
18 enforcement authority with the approval of the commissioner,  
19 are authorized to waive any requirements, including fees,  
20 imposed by or pursuant to the "State Uniform Construction Code  
21 Act," P.L.1975, c.217 (C.52:27D-119 et seq.) or the "Municipal  
22 Land Use Law," P.L.1975, c.291 (C.40:55D-1 et seq.), in favor of  
23 an eligible program if in the commissioner's judgment such  
24 waiver is necessary to the financial viability of the program and  
25 would not be prejudicial to the public health, safety and welfare.

26 10. The agency shall promulgate the rules and regulations  
27 necessary to effectuate the provisions and purposes of this act in  
28 accordance with the "Administrative Procedure Act," P.L.1968,  
29 c.410 (C.52:14B-1 et seq.). In developing these regulations the  
30 agency shall examine and analyze any existing programs of  
31 similar type that have been successfully effectuated in other  
32 jurisdictions, and shall endeavor to formulate criteria and  
33 procedures, both for the design and operation of viable projects  
34 and for the selection of and obligations assigned to individual  
35 participants who shall be assisted by the program.

36 11. This act shall take effect immediately, but shall remain  
37 inoperative until the adoption of implementing rules and  
38 regulations as prescribed in section 10.

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#### STATEMENT

42

43 This bill would establish an "Affordable Home Ownership  
44 Opportunities" program by making funds available for loans to  
45 qualified purchasers of homes from nonprofit organizations that  
46 undertake certain housing projects.

47 The program is premised upon the availability to such  
48 organizations of assistance from other sources, both public and  
49 private, and is intended to augment and encourage their ability to  
50 provide low-cost housing.

51 The bill authorizes the New Jersey Housing and Mortgage  
52 Finance Agency (HMFA) to set aside from any bond issuance that  
53 is made a proportion of bonds for the program, to be known as  
54 "Affordable Home Ownership Opportunities Bonds," and to create



1 a fund exclusively devoted to this purpose. The fund would  
2 provide loans to qualified low and moderate income purchasers of  
3 homes in projects organized by nonprofit organizations.  
4 Prospective home buyers would be required to agree to  
5 participate, to the extent of their ability, in the actual  
6 construction or rehabilitation work. This "sweat equity,"  
7 combined with the financial and other resources contributed by  
8 public and private agencies, would be supplemented by the loans  
9 made possible by the program proposed in this legislation, thus  
10 bringing home ownership within the reach of participating low  
11 and moderate income purchasers.

12 These low interest loans (the minimum necessary to maintain  
13 the fund and repay the bond purchasers) would be secured by  
14 mortgages on the housing units purchased. The loans would be  
15 arranged by the nonprofit organization, but made directly by the  
16 HMFA using money allocated by the fund; repayment would be  
17 directly from the borrower to the fund.

18 This program would make home acquisition practicable for  
19 persons whose economic status and resources would not ordinarily  
20 enable them to qualify for mortgage financing under the more  
21 conventional existing programs of HMFA -- although some of the  
22 prospective purchasers may also be able to benefit, to some  
23 extent, from those programs in combination with the benefits of  
24 the program provided under this legislation.

25 In case any prospective purchasers should drop out of such a  
26 project before completion, or should wish or need to sell their  
27 homes afterward, the bill provides for a process of substitution  
28 under which other low and moderate home purchasers may  
29 succeed to the rights and obligations of those withdrawing.

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34 "Affordable Home Ownership Opportunities Act of 1993",  
35 authorizes HMFA to set aside a proportion of bond issuance as  
36 Affordable Home Ownership Opportunities Bonds and make  
37 low-interest loans.

ASSEMBLY HOUSING COMMITTEE

STATEMENT TO

ASSEMBLY, No. 276

STATE OF NEW JERSEY

DATED: MARCH 7, 1994

The Assembly Housing Committee reports Assembly Bill No. 276 favorably.

This bill would establish an "Affordable Home Ownership Opportunities" program by making funds available for loans to qualified purchasers of homes from nonprofit organizations that undertake certain housing projects.

The program is premised upon the availability to such organizations of assistance from other sources, both public and private, and is intended to augment and encourage their ability to provide low-cost housing.

The bill authorizes the New Jersey Housing and Mortgage Finance Agency (HMFA) to set aside from any bond issuance that is made a proportion of bonds for the program, to be known as "Affordable Home Ownership Opportunities Bonds," and to create a fund exclusively devoted to this purpose. The fund would provide loans to qualified low and moderate income purchasers of homes in projects organized by nonprofit organizations. Prospective home buyers would be required to agree to participate, to the extent of their ability, in the actual construction or rehabilitation work. This "sweat equity," combined with the financial and other resources contributed by public and private agencies, would be supplemented by the loans made possible by the program proposed in this legislation, thus bringing home ownership within the reach of participating low and moderate income purchasers.

These low interest loans (the minimum necessary to maintain the fund and repay the bond purchasers) would be secured by mortgages on the housing units purchased. The loans would be arranged by the nonprofit organization, but made directly by the HMFA using money allocated by the fund; repayment would be directly from the borrower to the fund.

This program would make home acquisition practicable for persons whose economic status and resources would not ordinarily enable them to qualify for mortgage financing under the more conventional existing programs of HMFA -- although some of the prospective purchasers may also be able to benefit, to some extent, from those programs in combination with the benefits of the program provided under this legislation.

In case any prospective purchasers should drop out of such a project before completion, or should wish or need to sell their homes afterward, the bill provides for a process of substitution under which other low and moderate home purchasers may succeed to the rights and obligations of those withdrawing.

This bill was prefiled for introduction in the 1994 session pending technical review. As reported, the bill includes the changes required by technical review which has been performed.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 276

STATE OF NEW JERSEY

DATED: DECEMBER 8, 1994

The Assembly Appropriations Committee reports favorably Assembly Bill No. 276.

Assembly Bill No. 276 establishes an Affordable Home Ownership Opportunities Program by making funds available for loans to qualified purchasers of homes from nonprofit organizations that undertake certain housing projects.

The program is premised upon the availability to such organizations of assistance from other sources, both public and private, and is intended to augment and encourage their ability to provide low-cost housing.

The bill authorizes the New Jersey Housing and Mortgage Finance Agency (HMFA) to set aside a proportion of bonds for the program from any bond issuance, to be known as "Affordable Home Ownership Opportunities Bonds," and to create a fund exclusively devoted to this purpose. The fund would provide loans to qualified low and moderate income purchasers of homes in projects organized by nonprofit organizations. Prospective home buyers would be required to agree to participate, to the extent of their ability, in the actual construction or rehabilitation work.

These low interest loans (the minimum necessary to maintain the fund and repay the bond purchasers) would be secured by mortgages on the housing units purchased. The loans would be arranged by the nonprofit organization, but made directly by the HMFA using money allocated by the fund; repayment would be directly from the borrower to the fund.

If any prospective purchasers should drop out of such a project before completion, or should wish or need to sell their homes afterward, the bill provides for a process of substitution under which other low and moderate home purchasers may succeed to the rights and obligations of those withdrawing.

FISCAL IMPACT:

The program does not specify the principal amount of the bond issuance to provide the loan fund; the HMFA is to determine the amount of the set-aside from bonds otherwise authorized to be issued. The loans would be arranged by the nonprofit organization, but made directly by the HMFA to the participating purchasers. Repayment would be directly from the borrower to the fund. The loans are to be secured by mortgages on the housing units purchased. No more than 2 percent of the bond issuance proceeds may be used for administrative costs. The interest rate on loans to eligible purchasers is the minimum the HMFA determines is necessary to maintain the fund and repay the bond purchasers.

SENATE COMMUNITY AFFAIRS COMMITTEE

STATEMENT TO

[FIRST REPRINT]

ASSEMBLY, No. 276

STATE OF NEW JERSEY

DATED: MAY 15, 1995

The Senate Community Affairs Committee reports favorably Assembly Bill No. 276 [1R].

This bill would establish the "Affordable Home Ownership Opportunities Program" by making funds available for loans to qualified purchasers of homes from nonprofit organizations that undertake certain housing projects.

The program is premised upon the availability to such organizations of public and private assistance from other sources, and is intended to augment and encourage their ability to provide low-cost housing.

The bill would authorize the New Jersey Housing and Mortgage Finance Agency (HMFA) to set aside a proportion of bonds for the program from any bond issuance, to be known as "Affordable Home Ownership Opportunities Bonds," and to create a fund exclusively devoted to this purpose. The fund would provide loans to qualified low and moderate income purchasers of homes in projects organized by nonprofit organizations. Prospective home buyers would be required to agree to participate, to the extent of their ability, in the actual construction or rehabilitation work. This "sweat equity," combined with the financial and other resources contributed by public and private agencies, would be supplemented by the loans made possible by the program proposed in this legislation, thus bringing home ownership within the reach of participating low and moderate income purchasers.

These low interest loans (the interest would be the minimum necessary to maintain the fund and repay the bond purchasers) would be secured by mortgages on the housing units purchased. The loans would be arranged by the nonprofit organization, but made directly by the HMFA using money allocated by the fund; repayment would be directly from the borrower to the fund.

If any prospective purchasers should drop out of such a project before completion, or should wish or need to sell their homes afterward, the bill provides for a process of substitution under which other low and moderate home purchasers may succeed to the rights and obligations of those withdrawing.

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

[FIRST REPRINT]

ASSEMBLY, No. 276

with Senate committee amendments

STATE OF NEW JERSEY

DATED: NOVEMBER 27, 1995

The Senate Budget and Appropriations Committee reports favorably Assembly Bill No. 276 [1R] with amendments.

Assembly Bill No. 276 [1R], as amended, would establish the "Affordable Home Ownership Opportunities Program" by making funds available for loans to qualified purchasers of homes from nonprofit organizations that undertake certain housing projects.

The program is premised upon the availability to such organizations of public and private assistance from other sources, and is intended to augment and encourage their ability to provide low-cost housing.

The bill would authorize the New Jersey Housing and Mortgage Finance Agency (HMFA) to set aside a proportion of bonds to be known as "Affordable Home Ownership Opportunities Bonds," for the program from any bond issuance, and to create a fund exclusively devoted to this purpose. The fund would provide loans to qualified low and moderate income purchasers of homes in projects organized by nonprofit organizations. Prospective home buyers would be required to agree to participate, to the extent of their ability, in the actual construction or rehabilitation work. This "sweat equity," combined with the financial and other resources contributed by public and private agencies, would be supplemented by the loans made possible by the program proposed in this legislation, thus bringing home ownership within the reach of participating low and moderate income purchasers.

These low interest loans (the interest would be the minimum necessary to maintain the fund and repay the bond purchasers) would be secured by mortgages on the housing units purchased. The loans would be arranged by the nonprofit organization, but made directly by the HMFA using money allocated by the fund; repayment would be directly from the borrower to the fund.

If any prospective purchasers should drop out of such a project before completion, or should wish or need to sell their homes afterward, the bill provides for a process of substitution under which other low and moderate home purchasers may succeed to the rights and obligations of those withdrawing.

As amended and reported, this bill is identical to Senate Bill No. 242 [1R] of 1995 (Kenny/Palaia) as amended and reported by this committee on November 27, 1995.

COMMITTEE AMENDMENTS

The committee amended the bill to remove paragraph b. from section 9 of the bill. This eliminates the authority of the Commissioner of Community Affairs to waive requirements and fees under the State construction code and the municipal land use law for projects under the bill. The Commissioner of Community Affairs agreed to this amendment.

FISCAL IMPACT

This bill has not been certified as requiring a fiscal note since it will not have an impact on State revenues and expenditures.