

2008 NATIONAL COUNCIL OF STATE HOUSING AGENCIES
HOME OWNERSHIP

“LIVE WHERE YOU WORK”
Entry Description

Innovation

Do you ever wish that you could get to work on time without waking up at the crack of dawn to avoid the traffic that will inevitably join your morning commute? Do you feel a growing sense of frustration each time you hand over \$50, \$60, \$70 to fill up your gas tank two or three times per week just so you can empty it on the long ride to work? Do you wish you could do more for the environment than buying energy efficient light bulbs and choosing paper over plastic? In these times of fast rising fuel prices and inflation, along with dwindling expendable time and income, New Jersey Housing & Mortgage Finance Agency (HMFA) has designed an innovative program that offers a practical and environmentally smart solution that benefits prospective homeowners, employers and municipalities.

Objective

The objective of the Live Where You Work (LWYW) program is to provide a simple but smart home mortgage incentive program that seeks to address the above questions by providing low-interest mortgage loans to homebuyers who purchase homes in the towns where they are employed. The goal of LWYW is to build stronger communities by promoting homeownership and encouraging people to live closer to their jobs. This reduces the need for cars and increases the use of alternative transportation such as walking, biking and public transit. By taking into account the anticipated cost savings of a shortened commute, the program's flexible underwriting provides an opportunity for the borrower to receive a larger loan than they would otherwise be eligible for because the money they would have been spending on tolls and gas can now be invested in their mortgage.

Benefits

LWYW is designed to provide a more affordable option to eligible homebuyers by providing them with a 30- or 40-year low interest fixed rate, zero point mortgage. Eligibility requires that the prospective home is located in a municipality that has entered into an agreement with HMFA and that it is located in the same town as the borrower's employer. As with all HMFA loans, each mortgage is a fixed rate loan that is manually underwritten. HMFA requires documented proof of a borrower's income to ensure that they can afford to make the payments over the life of the loan. The maximum allowable income depends on where the property is located. The income limits increase for certain urban target areas of the state, thereby promoting the State of New Jersey's commitment

to smart growth principals and urban economic enhancement. In conjunction with LWYW, borrowers purchasing a home within a Smart Growth area are also eligible to receive the benefits of other HMFA homebuyer assistance programs such as a Smart Start Down payment and Closing Cost assistance in an amount equal to 5% of the first mortgage loan. If the homeowner stays in the home for seven years, that down payment and closing cost assistance loan is completely forgiven. Fourteen counties in New Jersey contain cities with urban target areas. As an example, the maximum purchase price limits for a one family home range from \$320,625 to \$429,619 depending on which county the property is located. In an urban target area the maximum increases to \$525,090 for a one-family property depending on its location.

Partners

To date, seven New Jersey cities including Trenton, Jersey City, Woodbridge, Elizabeth, Rahway, Morristown and Neptune have become partners with HMFA and joined the program. Passaic, Pemberton and New Brunswick will be entering the program shortly and others such as Glassboro, Bayonne, Cherry Hill, Newark, Camden, Newton, Atlantic City, Woodbury, Edison and Burlington are lining up to participate. But the municipalities are not the only partners in this endeavor. Local businesses are beginning to participate as well.

Marketplace

Those that have already entered the program have marketed LWYW in a variety of creative ways with local businesses. One town is in discussions with a local bike shop owner to offer discounts on bikes to LWYW participants. Another municipality is in talks with a local appliance store to offer discounts on big-ticket items such as washers, dryers and refrigerators – common purchases of many new homebuyers. The City of Trenton has partnered with several local lenders to offer closing cost rebates to LWYW participants. The opportunities are endless for partnering with local businesses, not just in terms of providing discounts on products, but also in terms of marketing the program to their employees. This program will benefit employees and employers of all businesses, large and small, from the sprawling college campus or the Fortune 500 Company to the local diner or corner grocery store.

In Response To Housing Needs

LWYW was created in response to the heavy housing and transportation load of working families and the need to provide homeownership opportunities, with added emphases toward urban and Smart Growth areas. While addressing these needs, not only does this program provide homeownership opportunities, it also helps New Jersey build strong neighborhoods with citizens and businesses that are invested in the future of their communities.