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GOVERNOR FLORIO ANNOUNCES RECORD FIRST-TIME BUYER MORTGAGE PROGRAM

\$250 Million For Affordable Housing Opportunitites

RUTHERFORD -- First-time homebuyers will be eligible for \$250 million in mortgages, bringing the dream of home ownership one step closer for thousands of middle-class New Jerseyans, under a program Governor Jim Florio unveiled today.

"We will help put the American Dream squarely in the hands of middle-class families in New Jersey," Governor Florio said. "It's a program that will provide \$250 million in reduced cost mortgages for middle-class, first-time homebuyers. With this program, we'll reduce the upfront costs of home ownership. This new program represents the single-largest investment ever made to promote home ownership in any state."

"A home isn't just four walls and a roof. It's a place of security, family, and warm memories. It's having a real stake in what happens to your communities and in improving the quality of life," the Governor said at homes in Rutherford and Clayton. "We know it's not easy and that's especially true for those trying to buy a home for the first time -- the people in the middle. The ones who make too much to qualify for assistance, but too little to qualify for a mortgage. They're the ones we're going to help today."

Nearly 100,000 New Jerseyans are eligible for the new Homeownership Opportunities for New Jersey Buyers Program, which was a highlight of the Governor's State of the State address. The program is the result of a joint effort between the New Jersey Housing Mortgage Finance Agency (NJHMFA), the Federal National Mortgage Association (Fannie Mae) and the General Electric Mortgage Insurance Companies (GE).

Highlights of the program include:

- **Higher income cap tailored to New Jersey county median incomes.** While existing moderate-income mortgage assistance programs are capped at the high \$40's, income limits for the Homeownership

Opportunities program can range up to \$66,285, depending on family size and area of purchase.

- **Lower minimum downpayment of 5 percent instead of the standard 10 percent.** Buyers also have the option of paying 3 percent of the downpayment themselves and acquiring the other 2 percent through an unsecured loan or gift. Conventional loans require that the entire 5 percent downpayment must come from the borrower's own resources. NJHMFA will set aside an additional \$2 million for use as 2 percent grants/loans for potential downpayment assistance.
- **Greater flexibility in underwriting ratios** as allowable housing expense-to-income limits are increased from 25 to 28 percent and allowable total debt-to-income ratios are raised from 33 to 38 percent. Under these ratios, a prospective buyer with an annual household income of \$45,000 could afford a house priced at \$110,000 instead of \$100,000 using the standard ratio.

The New Jersey housing market is characterized by high housing prices, a growing glut of existing and partially completed housing developments and the absence of mortgage financing, especially for first-time buyers. High housing costs mean often prohibitive upfront costs and greater difficulty in qualifying for conventional loans on the part of most households. The increasing glut of existing and partially completed housing units further contributes to the recessionary conditions in the state's housing construction industry. This in turn creates a spillover effect into other areas such as retail household furnishings and supplies.

"Owning a home in New Jersey is the best way to build communities. It's the best way people can move up and give a better future for their children and their grandchildren," the Governor said. "We're committed to making that happen. Not just with programs like this, but through fighting back against the real enemy of home ownership -- property taxes. We've changed the system and begin to reverse the trend that allowed property taxes to double in just eight years."

"New Jersey has always been a state of opportunity. If we want to keep it that way, then we have to make the opportunities available," he said. "That's what we're doing today and it's what we're going to keep on doing."

Homeownership Opportunity loans will be made through a network of 24 participating lending institutions across the state. Because the loans are targeted for first-time buyers, the NJHMFA will conduct four education workshops which are required prior to closing. After the loans are closed Fannie Mae will purchase them from the lenders and GE will insure them.

NJHMFA will market the loans in cooperation with the participating lenders. Information about the loans and the lending institutions is available by

calling the Agency's toll-free hot line number at 1-800-NJ-HOUSE or 1-609-890-1300 from out-of-state.

"Fannie Mae is pleased to participate in New Jersey's Home Ownership Opportunities Program. This initiative is part of our mission to help finance affordable homes for first-time buyers across the country. We especially appreciate Governor Florio's and Congresswoman Marge Roukema's support of this program," said Ann Logan, Fannie Mae's senior vice president, Northeastern Regional Office.

Today's announcement was one of a series of events to mark "Home Ownership Opportunity Week." On Monday, Governor Florio signed a bill placing a moratorium on condo conversions, protecting tenants from eviction. On Wednesday, the Governor is expected to announce \$1.1 million in grants to preserve and restore neighborhoods in 12 New Jersey towns. He also plans to meet with senior citizen groups to discuss the state's expanded Homestead Rebate program. Governor Florio has also urged support for legislation which would again place a \$135 million housing bond issue on the ballot.

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