



Legislation Text

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AN ORDINANCE AMENDING TITLE 2, ADMINISTRATION, CHAPTER 10, DEPARTMENT OF ECONOMIC AND HOUSING DEVELOPMENT, SECTION 7, LIVE NEWARK LOAN FORGIVENESS PROGRAM FOR ADVANCING CLOSING, OF THE REVISED GENERAL ORDINANCES OF THE CITY OF NEWARK, NEW JERSEY, 2000, AS AMENDED AND SUPPLEMENTED, BY AMENDING SECTION 7.2, CLOSING COST PROGRAM, TO INCREASE THE AMOUNT OF THE CLOSING COST LOAN FOR ELIGIBLE APPLICANTS UNDER THE LIVE NEWARK LOAN FORGIVENESS PROGRAM.

Sponsor(s): Council Member, Patrick O. Council

WHEREAS, the Municipal Council on behalf of the City of Newark wishes to increase the Closing Cost Program amount to benefit Newark residents; and

WHEREAS, the City recognizes that eligible applicants are in need of financial support throughout the neighborhoods; and

WHEREAS, the City of Newark has determined that there is a need to adjust the aforementioned loan amounts; and

WHEREAS, the Municipal Council finds and declares the following amendments to the Revised General Ordinances of the City of Newark, New Jersey, 2000, are deemed necessary for the prosperity of residents within the City of Newark.

NOW, THEREFORE, BE IT ORDAINED BY THE MUNICIPAL COUNCIL OF THE CITY OF NEWARK, NEW JERSEY, THAT:

[Deletions are indicated by ~~strikethrough~~, additions are indicated by **bold and underline**.]

SECTION 1. Title II, Administration, Chapter 10, Department of Economic and Housing Development, of the Revised General Ordinances of the City of Newark, New Jersey, 2000, is amended and supplemented, to read as follows:

CHAPTER 10, Department of Economic and Housing Development

§ 2:10-7.2 CLOSING COST PROGRAM.

a. Closing Cost Program

1. Establishment. The Department of Economic and Housing Development is hereby authorized to renew, implement and administer a Closing Costs Program in order to advance (but not to reimburse) up to ~~\$40,000~~ **\$20,000** ("Closing Costs Loan") for Eligible Closing Costs to eligible closing Cost applicants, as those terms are defined in this subsection of the Live Newark Loan Forgiveness Program, pursuant to the minimum requirements

set forth herein. The borrower(s) shall be responsible for any closing costs exceeding \$10,000 **\$20,000**. Modification of these minimum requirements may only be made by the Municipal Council.

2. Application. All applications for the Closing Costs Program shall, at a minimum, include: a copy of the applicant's most recent tax returns; pay stubs; employment information; Good Faith Estimate (GFE-HUD); and any other information required in the application forms.
3. Eligible Closing Cost Applicants. Individuals who shall have reasonably been determined to have the necessary resources to maintain ownership of the subject property shall be eligible for a Closing Costs Loan, subject to the terms and conditions set forth in this section.
4. Eligible Closing Costs. Eligible Closing Costs may consist of any one or a combination of the following items, as applicable, if said costs are to be payable at or immediately upon the transfer of the subject property from the seller to the applicant (as the buyer of the subject property) ("Closing"), subject to review by the Deputy Mayor/Director of the Department of Economic and Housing Development, at the Director's discretion, up to \$10,000 **\$20,000**:
 - a. [a\) <https://ecode360.com/37502982>](https://ecode360.com/37502982)
 - b. Applicant's legal fees;
 - c. [b\) <https://ecode360.com/37502983>](https://ecode360.com/37502983)
 - d. Appraisal fees;
 - e. [c\) <https://ecode360.com/37502984>](https://ecode360.com/37502984)
 - f. Credit report fees;
 - g. [d\) <https://ecode360.com/37502985>](https://ecode360.com/37502985)
 - h. Title search fees;
 - i. [e\) <https://ecode360.com/37502986>](https://ecode360.com/37502986)
 - j. Survey fees;
 - k. [f\) <https://ecode360.com/37502987>](https://ecode360.com/37502987)
 - l. Flood determination fees;
 - m. [g\) <https://ecode360.com/37502988>](https://ecode360.com/37502988)
 - n. Courier fees;
 - o. [h\) <https://ecode360.com/37502989>](https://ecode360.com/37502989)
 - p. Title Insurance;
 - q. [i\) <https://ecode360.com/37502990>](https://ecode360.com/37502990)
 - r. Transfer taxes;
 - s. [j\) <https://ecode360.com/37502991>](https://ecode360.com/37502991)
 - t. Recording fees;
 - u. [k\) <https://ecode360.com/37502992>](https://ecode360.com/37502992)
 - v. Loan processing fees; and
 - w. [l\) <https://ecode360.com/37502993>](https://ecode360.com/37502993)
 - x. Home inspection fees, including asbestos inspection fees, lead paint inspection fees and wood destroying pest inspection fees.
5. Determination of Eligibility of Applicant by the Loan Administrator(s). The Loan Administrator(s) shall review the written application to determine the eligibility of the applicant for a loan under the Closing Costs Program. The Loan Administrator(s) shall advise the applicant in writing as to whether the application for a loan under the Closing Costs Program is being granted ("Closing Costs Determination Letter").
6. Disbursement of the Closing Costs Loan. Upon receipt of a Closing Costs Determination

Letter indicating that an application for a loan under the Closing Costs Program has been approved, or thereafter upon request of the City, and the successful completion by the applicant of a first time homebuyer program approved by the City, the applicant shall promptly provide the Loan Administrator(s) with written instructions for the amount of \$10,000 to be deposited into the applicant's attorney's trust account. The applicant shall be required to keep the Loan Administrator(s) apprised of the date for the closing and further, shall promptly advise the Loan Administrator(s) once the closing has been completed. If it is determined at the closing or thereafter that Eligible Closing Costs total or totaled less than \$40,000 **\$20,000**, any excess funds shall be promptly returned to the City. The failure to promptly return any such excess funds shall be deemed an event of default hereunder. Following the closing, the City shall take all necessary steps to establish and record with the Essex County Registrar a mortgage to be secured by a lien against the subject property in the amount of the loan extended to the applicant under the Closing Costs Program.

7. Forgiveness or Repayment of the Closing Costs Loan. Closing Costs Loans shall be made in the form of five (5) year interest-free, forgivable loans, up to the amount of \$40,000 **\$20,000**. For each full, consecutive year following the closing that the borrower makes the subject property his or her primary residence, 20% of the amount of the total Closing Costs Loan shall be forgiven, up to 100%, until the Closing Costs Loan is fully satisfied. In the event that the borrower(s) sells or transfers the subject property, or the subject property is no longer the borrower's primary residence at any time prior to the satisfaction of the Closing Costs Loan, the borrower(s) shall notify the Loan Administrator(s) accordingly. The borrower(s) shall then be required to repay the pro-rated amount to the City in an accelerated manner upon the borrower's sale of the subject property from the sale proceeds or by prompt payment directly to the City, respectively. Upon full satisfaction of the Closing Costs Loan, the City shall discharge the mortgage upon the subject property in accordance with the terms of the loan documents.

By way of example, if the borrower(s) is disbursed \$40,000 **\$20,000** but only makes the subject property his or her primary residence for two (2) years following the closing (i.e. equivalent to \$2,000 **\$4,000** per year for a total of \$4,000 **\$8,000**, the borrower would be required to repay the City the pro-rated sum of \$6,000 **\$12,000**.

By way of further example, if the borrower(s) is disbursed \$8,500 **\$17,000**, the amount of \$1,700 would be forgiven for each full, consecutive year following the closing that the borrower(s) makes the subject property his or her primary residence; if the borrower(s) only makes the subject property his or her primary residence for two (2) years and six months following the closing, a total of \$3,400 **\$7,000** would be forgiven (i.e. 20% for each full, consecutive year of primary residency, with no forgiveness being calculated for the six months or 1/2 year period). Borrower(s) would be required to repay the City the pro-rated sum of \$5,100 **\$10,200**.

SECTION 2: Codification. This Ordinance shall be a part of the Code of the City of Newark as though codified and fully set forth therein. The City Clerk shall have this Ordinance codified and incorporated in the official copies of the Code. The City Clerk and the Corporation Counsel are authorized and directed to change any Chapter, Article and/or Section number of the Code of the City of Newark in the event that the codification of this Ordinance reveals that there is a conflict between the numbers and the existing Code, and in order to avoid confusion and possible accidental

repealers of existing provisions not intended to be repealed.

STATEMENT

This Ordinance Amends Title II, Administration, Chapter 10, Department of Economic and Housing Development, Section 7 Live Newark Loan Forgiveness Program for Advancing Closing, by amending Section 7.2, Closing Cost Program, to increase the amount of the Closing Cost Loan for eligible applicants under the Live Newark Loan Forgiveness Program.