

**LEGISLATIVE FISCAL ESTIMATE**  
**SENATE, No. 338**  
**STATE OF NEW JERSEY**  
**220th LEGISLATURE**

DATED: MAY 3, 2022

**SUMMARY**

**Synopsis:** Provides closing credit for resident first-time homebuyers; appropriates \$20 million.

**Type of Impact:** Annual State expenditure increase.

**Agencies Affected:** Housing and Mortgage Finance Agency.

**Office of Legislative Services Estimate**

<b>Fiscal Impact</b>	<b><u>Year 1</u></b>	<b><u>Year 2 and Thereafter</u></b>
<b>State Cost Increase</b>	Up to \$20 million	Indeterminate

- The Office of Legislative Services (OLS) determines that the bill would result in a State expenditure increase of up to \$20 million to provide a closing cost credit of one percent of a home purchase price to eligible first time homebuyers. The bill appropriates \$20 million from the General Fund to the Housing and Mortgage Finance Agency (HMFA) for this purpose. Any potential State expenditures beyond the \$20 million are indeterminate.
- The OLS also notes the HMFA may see an increase in administrative costs associated with administering the closing cost credit.

**BILL DESCRIPTION**

The bill would provide a closing cost credit for certain resident first-time homebuyers. Specifically, the bill provides that, subject to the availability of funds, a closing cost credit, or a reimbursement of a lender credit offered by the originating lender of one percent of a home purchase price, would be provided for certain resident first-time homebuyers. To qualify, a first-time homebuyer would have to meet the eligibility requirements, and participate in either the HMFA First-Time Homebuyer Mortgage Program or Down Payment Assistance Program, or both. Additionally, a resident first-time homebuyer would be required to attend a homebuyer counseling course offered by the federal Department of Housing and Urban Development or meet with a

housing counselor approved by the HMFA. The bill appropriates \$20 million from the General Fund to the HMFA to provide closing cost credits to resident first-time homebuyers.

## **FISCAL ANALYSIS**

### ***EXECUTIVE BRANCH***

None received.

### ***OFFICE OF LEGISLATIVE SERVICES***

The OLS determines that the bill would result in a State expenditure increase of up to \$20 million to provide a closing cost credit of one percent of a home purchase price to eligible first time homebuyers. The bill appropriates \$20 million from the General Fund to the HMFA. The bill requires the HMFA to provide the closing cost credit to the extent funding is made available under the bill or any other funding is made available for the same purposes. It is unclear what funding, beyond the \$20 million appropriated under the bill, may be made available for the bill's purposes.

Under the HMFA's First-Time Homebuyer Mortgage Program, the maximum home purchase price ranges from as little as \$311,979 for a one-member household in Atlantic, Cumberland, and Mercer counties, to as much as \$1,692,475 for a four- or more-member household in an "urban target area" of Bergen, Essex, Hudson, Hunterdon, Middlesex, Monmouth, Morris, Ocean, Passaic, Somerset, Sussex, and Union counties. A one percent credit on a home that is purchased for \$311,979 would be equal to \$3,119.79, and a one percent credit on a home that is purchased for \$1,692,475 would be equal to \$16,924.75. The HMFA would likely have the ability to provide a one percent closing cost credit to between 1,181 and 6,410 first-time homebuyers using the \$20 million appropriation made for the purposes of the bill.

The OLS also notes the HMFA may see an increase in administrative costs associated with administering the closing cost credit.

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This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).