



SMART START PROGRAM GUIDELINES

PROGRAM DESCRIPTION: Accumulating the funds for downpayment and closing costs is a common barrier to potential homeowners. The Smart Start Program is only available to participants in the NJHMFA's First-Time Homebuyer, NJHMFA 100% Financing Program and certain borrowers in the Homeward Bound program who are purchasing homes in Smart Growth Areas. Smart Start helps these families by offering a second mortgage loan of up to 4% of the amount of the NJHMFA's purchase money first mortgage loan for downpayment and/or closing costs. The NJHMFA will not purchase either mortgage loan unless it purchases both the first mortgage loan and the Smart Start mortgage loan for a particular borrower.

AVAILABLE FUNDS: As allocated by NJHMFA.

ELIGIBLE BORROWERS: Eligible borrowers are those who qualify under either the Agency-originated 100% Financing Program, the First-Time Homebuyer Program, or certain borrowers in the Homeward Bound Program.

OCCUPANCY: Property must be occupied as the borrower's primary residence within 60 days of closing. Borrower must maintain occupancy for the life of the Smart Start loan.

LOAN TERMS: The NJHMFA will make Smart Start downpayment and/closing cost loans in the amount of up to 4% of the first mortgage to qualified borrowers purchasing in Smart Growth Areas as determined by the Agency's Site Evaluator. (Visit www.njhousing.gov to access the evaluator tool.) The interest rate on the Smart Start second mortgage is 0%. There will be an add-on to the interest rate of the first mortgage. Interest rates for NJHMFA first mortgages may be obtained from an NJHMFA participating lender. The rates are available to lenders through the ILRS. The borrower may repay the unpaid principal in full or in part at any time before

it is due. This is known as prepayment and no penalty shall be charged. If the borrower continuously resides in the premises, as his/her principal residence for five (5) years from the date of the closing of the loan, the principal on the Note will have been deemed satisfied and the Participating Lender will provide the borrower with a cancellation of mortgage or release of lien. If the Borrower conveys, refinances or ceases to occupy the premises as his/her principal residence, full repayment of principal will be due as follows:

- Months 0 through 24, the entire principal is due.
- After the 24th month, 25% of the principal on the Note will be deemed satisfied and the remaining balance will be reamortized.
- After the 36th month, an additional 25% of the principal on the Note will be deemed satisfied and the remaining balance will be reamortized.
- After the 48th month, an additional 25% of the principal on the Note will be deemed satisfied and the remaining balance will be reamortized.
- After the 60th month the entire Note will be satisfied and discharged.

INCOME LIMITS: There are no income limits specific to Smart Start; however, the borrower's must meet the income limits of the Agency program providing the first mortgage loan, if any.

PURCHASE PRICE LIMITS: There are no purchase price limits specific to Smart Start; however the borrowers must meet the purchase price limits of the Agency program providing the first mortgage loan, if any.



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LOAN AMOUNT LIMITS: Up to four (4%) percent of the principal amount of the Agency's first mortgage loan in the transaction.

PRIOR HOMEOWNERSHIP LIMITATIONS: To qualify for Smart Start in conjunction with a Homeward Bound Purchase Program mortgage loan, the borrower must not have had an ownership interest in a home in the three years prior to the closing date. No other Homeward Bound Purchase Program borrowers qualify.

ASSET LIMITS: Borrowers with sufficient personal assets to close a mortgage loan at less than 80% LTV are ineligible.

PROPERTY ELIGIBILITY: The property must be located in a Smart Growth Area as determined by the NJHMFA's Site Evaluator. The property must meet the respective guidelines for the Agency first-priority purchase money mortgage loan being obtained. The property must also meet NJHMFA's guidelines as described in the Participating Lender's Guide (e.g., Wood Destroying Insect Certifications, Well Certifications, etc.). The property must be an owner occupied single family dwelling or multiple unit dwelling in which one unit will be occupied by all borrowers as their primary residence and the remaining units may be rented.

