

12-15-2008 NJHMFA Bulletin - Revised Smart Start Notes

Attached are revised Mortgage Notes for the following NJHMFA Smart Start programs:

**First Time Home Buyer - 5 Year Forgivable
Live Where You Work - 4 Year Forgivable
Live Where You Work - 7 Year Forgivable**

The 3rd paragraph in the Prepayment section has been revised to state:

"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 ..."

There has been confusion with the language of the previous Notes with the above sentence stating "*cash-out refinances*". It was interpreted by some that this statement allowed for the non-repayment of principal on rate and term refinances. This was not the rule or the intent of the NJHMFA program. The customer pays a higher interest rate on the first mortgage for the use of the NJHMFA's money for closing cost and down payment assistance. The higher interest rate paid by the customer allows the NJHMFA to replenish the funds available for future Smart Start loans. It would make no financial sense for the NJHMFA to make a first mortgage with Smart Start assistance to a borrower and allow them to refinance out of the first mortgage without repaying the Smart Start money according to the appropriate schedule set forth in the Smart Start Mortgage Note. Subordination requests for Smart Start liens are not acceptable and will not be considered.

Please destroy all copies of the Smart Start Mortgage Notes that you have been using and use the attached forms immediately. We of course will accept the old Smart Start Mortgage Notes for any loans closed prior to December 16, 2008.