

**NEW JERSEY HOUSING AND MORTGAGE FINANCE AGENCY
POLICE AND FIRE RETIREMENT SYSTEM MORTGAGE LOAN PROGRAM
TERM SHEET**

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1. Single Family Mortgage Purchase Agreements dated 08/00 apply to loans made under the Police and Firemen's Retirement System Mortgage Loan Program (PFRS). All PFRS loans are to be originated according to FNMA standards and the Agency Seller's Guide.

**AT THIS TIME THE PFRS PROGRAM IS ONLY AVAILABLE TO 1ST HOME BUYERS,
TRADE UP BUYERS and RATE & TERM REFINANCES**

2. **RATE/TERM:** Fixed rate maximum 30-year mortgage. Rates are set twice a year on 2/15 and 8/15. Contact our Hotline at 1-800-NJHOUSE 1(800) 654-6873 for current rates.

The interest rate will be set every August 1st to become effective August 15th, and every February 1st to become effective February 15th. The index used to set the rate will be average weekly yield of the 10 year T-Bills plus 1%. The weekly yield on ten year Treasuries will be taken from the Federal Reserve Statistical Release. A Bulletin will be issued to lenders at least one week in advance of the rate change. The Pension Board and the Division of Investments will receive copies of all such Bulletins.

The Division of Investment shall provide the book value of the investments held by the PFRS pension fund as of June 30 and December 31 during each year that the PFRS Mortgage Program is authorized. The Division of Investments shall determine the revised amount of funds available for the PFRS Mortgage Program. The Division of Investments will notify the Division of Pensions and Benefits of the revised amount and the Division of Pension and Benefits will then notify the Agency. The new funds will be available for the registration of mortgage loans on and after the dates that the semi-annual rate changes are effective (February 15th and August 15th) and will be registered at the new mortgage rate in effect on said dates or subsequent rate change dates.

The interest rate for each borrower will be set at the time of loan registration. This rate will be in effect until the loan closes or the registration expires, whichever comes first. All loans must be delivered to the Agency not later than the last day of the registration period.

- A. Regarding new construction, the loan will be registered for 270 days.
- B. Loan registrations for existing properties expire on the 180th day after the registration number is issued by the Agency.
- C. If an extension is necessary there will be a \$250 cancellation fee charged on the loan and the loan will be re-registered at the prevailing rate (subject to the availability of funds).
- D. Exceptions on **Refinances**: No extensions will be granted.

3. **USE OF FUNDS:** Funds may be used by eligible borrowers to:
 - A) acquire or construct a one or two family residential property or
 - B) to refinance an existing residential property loan.

4. **ELIGIBLE LOANS:**
 - A. Loans can be for new origination or refinances with a 30 year maximum term. The maximum loan is \$417,000.
 - B. Loan funds may be used to acquire land to construct a one or two family house. An executed construction contract is required before a loan commitment will be issued. Loan funds cannot be used to purchase land only.

5. **ELIGIBLE BORROWER:** Any policeman or fireman (see attached definition) included in the membership of the retirement system who at the time of application is employed by the State of New Jersey, county, municipality or other political subdivision with at least one year creditable service. Employee eligibility will be documented with the Verification of Employment (VOE). Employers will be required to sign an eligibility certification on the VOE.
 - A. Homebuyers who have not had an ownership interest in a principal residence at anytime during the three years prior to which the mortgage is executed.
 - B. In cases of divorce or separation, a spouse who does not retain title to the family house (non-occupant spouse) may be exempt from the first time Homebuyer requirement. Title to the marital home must transfer to the occupant spouse and a release of liability obtained.
 - C. Inherited residential property, disposed of prior to closing, does not constitute present homeownership.

6. **OCCUPANCY REQUIREMENT:** Any member receiving a mortgage loan must occupy the residence as their principal dwelling within 120 days of loan closing. Borrowers must occupy the residence for the life of the loan.

7. **ELIGIBLE PROPERTIES:**
 - D. Properties located in the State of New Jersey.
 - E. Condominium units with down payment of five percent or more.
 - F. One and two family structures on a single tax lot which are ready for occupancy.
 - G. Vacant land used to construct an eligible one or two family structure.
 - H. Condominium projects must be Fannie Mae approved.

8. **LENDER PARTICIPATION:** Lenders who have participated in the Agency's Home Buyers Program for one year or more are considered eligible to participate in the Police and Firemen's Retirement System mortgage program.
Lenders are required to execute an addendum to their existing Loan Purchase Agreement. This addendum summarizes the special requirements and procedures established for this program
9. **LENDER COMPENSATION-ORIGINATION:** In addition to their standard application fee, lenders will be paid a flat fee of not more than \$1,500. Lenders are not required to charge the maximum fee and are free to charge a lower fee. One-half of this fee is to be paid by the borrower at time of loan application. The balance of the lender's fee, plus the Agency's fee of \$325, will be collected by the lenders at closing. Fees shall be appropriately characterized, e.g., "application", "commitment", etc. as required by Banking regulations.

At the time that the Agency resets the interest rate for loans, the Agency shall review the maximum lender fee and may adjust the maximum fee to ensure that there is an adequate number of participating lenders to properly implement the mortgage loan program.

The portion of the fee paid at the time of application is nonrefundable unless the loan is denied for credit or property reasons. If the applicant cancels, the lender may retain the fee collected at the time of application. Loan reservations, which go beyond 180 days may be automatically canceled and the lender will be required to pay \$250 cancellation fee to the Agency. Loans which are registered under a new rate are not subject to the cancellation fee if canceled before 180 days, for reasons other than credit or property deficiencies.

10. **LOAN REGISTRATION:** All loans must be registered within 24 hours of the application. Registrations are to be made on-line thru the Agency's registration system.
11. **LOAN PROCESSING AND UNDERWRITING:** All loans must be first mortgages. No second mortgages are permitted. Loans may be used to purchase or refinance primary residences only.
 - A) The lender is responsible for the processing and underwriting of these loans. Approvals must follow FNMA DU guidelines. The lender must have an Approve/Eligible or an Expanded Approval recommendation. Lenders are responsible to clear the DU conditions prior to loan submission to the Agency. All other DU recommendations are not eligible. The Agency will not provide prior approvals. The lender must:
 1. Verify the eligibility of each borrower through an addendum to the Verification of Employment. Verification from the employer is good for 90 days. If loan does not close within 90 days of the date of the employer verification, the lender must secure a new employer certification. There is no flexibility on this certification. If the loan closes on the 91st day, a new verification must be made part of the file

2. Make all required disclosures including Truth in Lending and the APR.
 3. Ensure that all loans with loan to value ratios of 80.1% or greater have the appropriate private mortgage insurance.
 4. Ensure that the appropriate insurer or Agency approves all condominium projects and that documentation of this approval is contained in the loan file.
 5. Attach the verification of Membership in Police and Firemen's Retirement System to the VOE and ensure that it is completed in its entirety, and updated as required, by the borrower's employer.
 6. Execute the PFRS Lender Certification.
 7. Obtain executed PFRS Loan Applicant's Certification.
 8. Obtain an appraisal containing a written certification signed by two persons from the same appraisal company which shall include the opinion of the signatories as to the value of the land and the improvements thereon. Failure of an appraisal to meet this requirement will make the loan ineligible for purchase.
- B) Except where modified herein or otherwise instructed, the Seller's Guide for the Home Buyer's program will be used to establish underwriting guidelines and procedures. In addition, all documents are to be in the form specified for purchase under the Home Buyer program.
- C) NO BUYDOWNS PERMITTED, without prior written approval from the Agency.
- D) NO SECONDARY FINANCING ALLOWED on refinance loans. Exceptions will be considered case by case and must have written approval from the Agency.
- E) SECONDARY FINANCING IS ALLOWED on purchase money loans as follows:

Loans can be originated at 80% LTV with a 2nd mortgage up to 15% (80/15/5).

Loans can be originated with a combination of down payment and second mortgage financing equal to 20% of the sales price, making the PFRS loan at 80% LTV. 80/10/10 are also permitted.

12. LOAN PURCHASE

A) Lenders are required to have the loan closing package to the Agency within 21 days of loan closing for purchases and 25 days of loan closing for refinances. This purchase package is to be forwarded in the following order.

1. New Loan Transmittal.
2. Tax Information Sheet.
3. New Loan Set-Up.
4. Agency Fee (\$325).
5. Escrow checks and loan set-up fee made payable to New Jersey Housing And Mortgage Finance Agency.
6. Original Note.
7. Certified true copy of the mortgage.
8. HUD-1.
9. Lender Certification.
10. Hazard Insurance Policy.
11. Borrower Certification.
12. Verification of PFRS Membership.
13. Original loan file (including mortgage insurance certificate).

B) Upon receipt of the completed closing package the Agency will proceed with the purchase of the loan. Incomplete packages will be returned to the lenders. Lenders must allow up to 14 working days for the completion of the purchase. Loans received by Friday will be purchased the following Tuesday with disbursements on Friday of the same week, unless Friday is a banking or State holiday, in which case, the loan disbursement will occur on the next business day. The Agency will purchase all loans at 100% of the unpaid principal balance plus accrued interest. All loans must be current at time of purchase.

13. **FINAL DOCUMENTS:** Lenders have 120 days to submit final documents to the Agency.
14. **SERVICING:** The Agency has contracted with Cenlar FSB of Ewing, NJ to service all of these loans. Lenders will disclose to borrowers that there is a flat, monthly servicing/reserve fee of \$30.00. After three years on the 37th month the monthly servicing/reserve fee is reduced to \$18.00 per month. There are no escrow requirements for the servicing fee. It is to be added to the mortgage payment. This fee is to be included in the front end (housing) ratio. The servicing/reserve fee must be disclosed in all application related and closing disclosures and included in the APR calculation.
15. **ASSUMPTION:** Mortgage loans shall not be transferred or assigned to any person except that in the event of death of a member, the mortgage may be assigned to the surviving spouse, if the spouse is the sole heir to the property.

16. **MORTGAGE INSURANCE:** Mortgage insurance is required on all loans with loan to value ratios in excess of 80.1%. Coverage is required as follows:

95.01% to 97% LTV	35% Coverage for a 25 year to 30 year term
95.01% to 97% LTV	30% coverage for under 25 years
90.01% to 95% LTV	30% coverage regardless of loan term
80.01% to 90% LTV	25% coverage regardless of loan term

Loans with LTV's of 80.0% or less are not required to carry mortgage insurance. The following private mortgage insurance companies are approved to participate in the program.

Genworth Mortgage Insurance Company
Mortgage Guaranty Insurance Corp.
Radian Group Inc.
United Guaranty Residential Insurance Company

POLICE AND FIREMEN MORTGAGE PROGRAM

“Policeman” shall mean a permanent, full-time employee of a law enforcement unit as defined in section 2 of P.L. 1961 c.,56 (c.52:17B-67) or the State, other than an officer or trooper of the Division of State Police whose position is covered by the State Police Retirement System, whose primary duties include the investigation, apprehension or detention of persons suspected or convicted of violating the criminal laws of the State and who:

1. is authorized to carry a firearm while engaged in the actual performance of this official duties;
2. has police powers ;
3. is required to successfully complete the training requirements prescribed by P.L.1961,c56 (c.52:-17B-66 et. Seq.) or comparable training requirements as determined by the Board of Trustees; and
4. is subject to the physical and mental fitness requirements applicable to the position of municipal police officer established by an Agency authorized to establish these requirements of a Statewide basis, or comparable physical and mental fitness requirements as determined by the Board of Trustees.

The term shall also include an administrative or supervisory employee of a law enforcement unit or the State whose duties include general or direct supervision of employees engaged in investigation, apprehension or detention for engagement in investigation, apprehension or detention activities if necessary, and who is authorized to carry a firearm while in the actual performance of this official duties and his police powers.