40 CELEBRATING YEARS

NJHMFA

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MORTGAGE PROGRAM POLICY AND PROCEDURES FOR PARTICIPATING LENDERS

Effective July 1, 2024

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Introduction

The New Jersey Housing and Mortgage Finance Agency's (NJHMFA) *Mortgage Program Policy and Procedures for Participating Lenders* is a handy reference manual which details the proper way to do business with NJHMFA.

Topics cover the requirements a lender must satisfy to become an NJHMFA-Approved Lender of residential mortgage loans and how to maintain that approved status. As a member of our exclusive group of loan professionals, you are asked to comply with specific program requirements in the following areas: Loan programs, loan file submission, underwriting, property stipulations, insurance guidelines, closing and funding procedures, purchasing procedures and, of course, the legal and regulatory requirements.

Changes Effective July 1, 2024

Definitions First time Homebuyer	Definitions	First-Time Homebuyer: Added clarification of requirement. "A borrower who has not had an ownership interest in a primary residence during the previous three (3) years **from the closing date**."
Definitions Veteran's Exemption	Definitions	Veteran's Exemption: Added to Definitions: "An exemption from the three (3) year ownership rule for First-Time Homebuyers. Qualified veterans must have been retired, discharged, or released from duty under conditions other than dishonorable, and active-duty military borrowers must have completed their initial military obligation. Acceptable evidence of eligibility includes a copy of the veteran's Certificate of Eligibility or Title 38 letter and a DD214 or Statement of Service. All qualified veterans are exempt from the three (3) year ownership rule for First-Time Homebuyers. Veterans cannot retain an existing primary residence."
1-1: Participating Lender Relationship F: Lender's Quality Control Plan	Ch. 1, page 1	F: Added clarification for requirement: **"**Provide a written Quality Control Plan for loan origination, along with approvals by all applicable GSEs or Insurers. The plan should be administered independently from the origination process."
1-1: Participating Lender Relationship	Ch. 1, page 3	O: Added requirement: "A Loan Originator is not permitted to act as either the listing or selling agent, or receive dual

0: A Loan Originator		compensation as a lender and real estate agent on any NJHMFA transaction.”
1-1: Maintaining Participating Lender Approval Status C3: NJHMFA Quality Control Reviews	Ch. 1, page 5	C3. Added process clarification: “NJHMFA will perform a monthly post purchase quality control review on a random and discretionary sample of no less than ten percent of the loans purchased or per GSE/Insurer requirements Participating Lenders will be advised of significant findings resulting from these reviews and given an opportunity to remediate the findings. Findings will be forwarded to the Lender by e-mail. Responses are required to be returned to NJHMFA in accordance with the GSE/Insurer guidelines. Timely correction or resolution of any deficiencies, in form and content acceptable to the Agency, is a condition subsequent to the Mortgage Loan purchase. If a deficiency cannot be corrected or resolved, repurchase may be required”. Added clarification of requirement: “Any violation, misrepresentation or fraud will be immediately reported to the required regulatory Agency or Investor. If there is sufficient evidence to confirm a Lender participated in any material violation, misrepresentation or fraud, the Lender may be immediately terminated from doing business with NJHMFA at the Agency’s sole discretion.”
1-5: Loan Origination Responsibilities, Process and Requirements J1: Trailing Documents	Ch. 1, page 15	J1. Added “per month” requirement for outstanding trailing documents: “All Trailing Documents are required within 90 days of the purchase date. If any Trailing Documents are not received and are aged more than 120 days, NJHMFA may, in its sole discretion, assess the Participating Lender $25 per document per month, or in the alternative, the Participating Lender may have to repurchase the Mortgage Loan.”
1-6: Participating Lender Compensation/Fees B: Lender Origination Fee	Ch. 1, page 16	B. Adjusted standard lender fee for the First-Time Homebuyer program from $1,200 to $1,350 Under no circumstances shall the standard lender fee for the First-Time Homebuyer program exceed “$1,350. “
3-1 NHHMFA-Specific Guidelines Applicable to All Products G: Federal Tax Returns	Ch. 3, page 3	G. Added requirement for Federal Tax Returns for borrowers that do not have the required returns to provide because they are not U.S. citizens or have lived abroad.

3-2: NJHMFA First-Time Homebuyer Program B: Borrower Eligibility	Ch. 3, page 3	B. Added clarification of requirement: “sign and have notarized” the Property Seller’s Affidavit (HMFA 161) and “E-signatures are not acceptable.” Added clarification of requirement: “Borrowers are not eligible for NJHMFA DPA if they have ever had a foreclosure or deed in lieu of foreclosure.” Added clarification of requirement: “DPA is limited to one per person per lifetime. NJHMFA may consider approving a second DPA, at the sole discretion of NJHMFA. A letter of explanation will be required with the reason for DPA consideration. NJHMFA will review for performance history, date of the first loan, type of program, payoff date and circumstances related to the payoff. “
3-2: NJHMFA First-Time Homebuyer Program B1: First-Time Homebuyer	Ch. 3, page 4	B1 Added clarification of requirement: “DPA is only available for all Borrowers, co-borrowers co-mortgagors, non-borrowing spouse and legal Domestic Partners must be first-time homebuyers. Non-occupying co-borrowers are not permitted. A First Time Homebuyer is defined as someone who has not had an ownership interest in (not listed on the deed of) their principal residence during the previous three years.”
3-2: NJHMFA First-Time Homebuyer Program B2: Income Limit	Ch. 3, page 5	1. Added clarification of requirements: “All sources of income must be included when calculating the compliance income on the first mortgage. If income is disclosed on the documentation sent to the agency, NJHMFA will use the income in the income limit calculation unless there is sufficient documentation verifying that the income will not continue in the future.”
3-3: NJHMFA Homeward Bound Program A: Program Overview	Ch. 3, Page 9	**A.** Added clarification of requirements: “The Homeward Bound Program permits the qualifying income calculation to be used as the compliance income.”
3-3: NJHMFA Homeward Bound Program B: Borrower Eligibility	Ch. 3, page 9	B. Added clarification of requirement: “Non-occupying Co-Borrowers are eligible and do not need to meet

		First Time Home Buyer definition." Added clarification of requirement: "Borrowers are not eligible for NJHMFA DPA if they have ever had a foreclosure or deed in lieu of foreclosure. Added requirement: "DPA is limited to one per person per lifetime. NJHMFA may consider approving a second DPA, at the sole discretion of NJHMFA. A letter of explanation will be required with the reason for DPA consideration. NJHMFA will review for performance history, date of the first loan, type of program, payoff date and circumstances related to the payoff"
3-5. Police and Fireman's Retirement System (PFRS) Mortgage Loan Program (Full Delegation of Underwriting 3d: Mortgage Loan Reservations	Ch 3., page 13	3d. Added clarification for extension fee: "Any extension fees incurred shall be paid by the Lender and the Lender may pass the fee on to the borrower. This must be a flat fee of $250 and not charged in points." Also added, "Any interest rate change fee incurred may be paid by the Lender or the Lender may pass the fee on to the borrower. This must be a flat fee of $250 and not charged in points." Added clarification of requirement: "Lender to provide prior Change of Circumstance (COC) with a revised Loan Estimate or preliminary CD listing the rate extension fee in Section A- Origination Charges."
3-5. Police and Fireman's Retirement System (PFRS) Mortgage Loan Program (Full Delegation of Underwriting) C1e: Loan Processing and Underwriting	Ch. 3, page 14	C1e. Added clarification for verification of non-filing: "Borrowers that do not have the required federal tax returns to provide because they are not U.S. citizens, have lived abroad and have not filed must provide evidence that they have not filed using an IRS Verification of Non-filing Letter (VNF). A VNF will provide proof from the IRS that there is no record of a filed tax form (1040, 1040A, or 1040EZ) for the year requested."
3-6. NJHMFA 100% Financing Program B2c: Borrower Eligibility	Ch. 3, page 17	B2c. Home Buyer Education: Added clarification of requirement: "The Housing Certificate must be issued less than one (1) year prior to the closing date."

3-7. NJHMFA HFA Advantage Loan Program B5, B6, B7: Borrower Eligibility	Ch. 3, page 20	B5. Added clarification for eligibility: “Non-occupying Co-Borrowers are eligible and do not need to meet First Time Home Buyer definition.” B6. Added clarification of requirement: “Borrowers are not eligible for NJHMFA DPA if they have ever had a foreclosure or deed in lieu of foreclosure. Added requirement: “DPA is limited to one per person per lifetime. NJHMFA may consider approving a second DPA, at the sole discretion of NJHMFA. A letter of explanation will be required with the reason for DPA consideration. NJHMFA will review for performance history, date of the first loan, type of program, payoff date and circumstances related to the payoff.” B7. Added clarification of requirement: “The HFA Advantage Program requires the qualifying income calculation as compliance income.”
3-7. NJHMFA HFA Advantage Loan Program D: Mortgage Product Requirements	Ch. 3, page 21	D6. Added clarification for High balance loans: “High balance loans are not permitted”.
4-1. Smart Start Program B4: Asset Limits	Ch. 4, page 2	B4. Added policy change for borrowers with liquid assets from 25% to 20% and clarification for excluding business assets. “Borrowers with liquid assets in excess of 20% of the Sales Price are not eligible for DPA.” “Exclude business assets marked in business accounts from calculation, unless those assets are being used towards the home purchase.”
4-1. Smart Start Program B5: Cryptocurrency	Ch.4, page 2	B5. Cryptocurrency must be included in the asset test unless it is part of a qualified retirement account.
4-1. Smart Start Program B7: Housing Counseling	Ch.4, page 3	B7. Added requirement for Housing Certificate: “The Housing Certificate must be issued less than one (1) year prior to the closing date.”
4-1. Smart Start Program B9: Non-occupant Co-borrowers	Ch. 4, page 3	B9. Added clarification of requirement: “They do not need to meet the First Time Home Buyer definition.”
4-1. Smart Start Program B10: Borrower Eligibility	Ch 4, page 3	B10. Prior DPA Usage & Prior Mortgage Delinquency: Added clarification of requirement: “Borrowers are not eligible for NJHMFA DPA if they have ever had a foreclosure or deed in lieu of foreclosure.”

		Added requirement: "DPA is limited to one per person per lifetime. NJHMFA may consider approving a second DPA, at the sole discretion of NJHMFA. A letter of explanation will be required with the reason for DPA consideration. NJHMFA will review for performance history, date of the first loan, type of program, payoff date and circumstances related to the payoff."
4-1. Smart Start Program B11: Borrower Eligibility	Ch. 4, page 3 & 4	B11. Down Payment Assistance (DPA) Usage: Added eligible usage clarification.
4-2. Smart Start plus First-Generation Program B4: Borrower Eligibility	Ch. 4, page 7	B4. Asset Limits: Added policy change for borrowers with liquid assets from 25% to 20% and clarification for excluding business assets. "Borrowers with liquid assets in excess of 20% of the Sales Price are not eligible for DPA." "Exclude business assets marked in business accounts from calculation, unless those assets are being used towards the home purchase."
4-2. Smart Start plus First-Generation Program B5: Borrower Eligibility	Ch. 4, page 7	B5. Cryptocurrency must be included in the asset test unless it is part of a qualified retirement account.
4-2. Smart Start plus First-Generation Program B7: Borrower Eligibility	Ch. 4, page 7	B7. Housing Counseling: Added clarification of requirement: "The Housing Certificate must be issued less than one (1) year prior to the closing date."
4-2. Smart Start plus First-Generation Program B9: Borrower Eligibility	Ch. 4, page 8	B9. Non-occupant Co-borrowers: Added clarification ofr requirement: "They do not need to meet the First Time Home Buyer definition."
4-2. Smart Start plus First-Generation Program B10: Borrower Eligibility	Ch. 4, page 8	B10. Prior DPA Usage & Prior Mortgage Delinquency. Added clarification for requirement: "Borrowers are not eligible for NJHMFA DPA if they have ever had a foreclosure or deed in lieu of foreclosure." Added requirement: "DPA is limited to one per person per lifetime. NJHMFA may consider approving a second DPA, at the sole discretion of NJHMFA. A letter of explanation will be required with the reason for DPA consideration. NJHMFA will review for performance history, date of the first loan, type of program, payoff date and circumstances related to the payoff."

4-2. Smart Start plus First-Generation Program D: Borrower Eligibility	Ch. 4, page 9	D. Down Payment Assistance (DPA) Usage: Added eligible usage clarification.
Agency Underwriting Parameters	Ch. 5, page 1	Added requirement for loan documentation expiration, repricing and approval: "If loan documentation expires prior to closing NJHMFA will re-review the documentation. The repricing or extension policy may apply. Loans may be rejected if updated approval cannot be provided."
5-1. Participating Lender's General Underwriting Requirements C2: Underwriting Systems and Findings.	Ch. 5, page 2	C2. Findings Reports: Added clarification of requirement. "Full loan documentation is required. Any reduced documentation within the Findings Report will not be permitted."
5-1. Participating Lender's General Underwriting Requirements F: Underwriting Findings Documentation Requirements	Ch. 5, page 3	F. Disclosures: Added reference to GSE/Insurer guidelines and DPA Disclosure clarification of requirement: "A DPA Disclosure must be provided and signed at the time of application. A Final TIL must be provided and signed at closing."
5-1. Participating Lender's General Underwriting Requirements G: Underwriting Findings Documentation Requirements	Ch. 5, page 3	G. Federal Tax Returns: Added clarification of requirement for First-Time Homebuyer validation of federal tax returns Income qualifying validation of federal tax returns and requirements for borrowers who do not have the required federal tax returned because they are not U.S. citizens or have lived abroad.
5-1. Participating Lender's General Underwriting Requirements H: Underwriting Findings Documentation Requirements	Ch. 5, page 3	H. Disaster Awareness: Added Lender's responsibility.
5-2. Credit Underwriting Guidelines D: Compensating Factors	Ch. 5, page 5	C. Added clarification of requirement: "Under the First-Time Homebuyer Program, ratio exception requests are only not permitted. for the monthly housing expense-to-income ratio. Exception requests should be submitted to the NJHMFA Underwriting Department prior to the loan closing when exceeding the ratios in the above Sections A., B., and C. is proposed. Lender must provide a copy of the URLA, Credit Report, AUS Findings and 1008 at the time of exception request. In addition, a letter of explanation from the Underwriter describing the need for the exception and the compensating factors must be provided. Anything over 3% would not be considered, below 3% would be evaluated for an exception."

5-2. Credit Underwriting Guidelines E: Income Assessment Stable Monthly Income and Other Income Considerations	Ch. 5, page 6	D. Added clarification for income including compliance income vs. qualifying income. 1.“Compliance income: The annualized gross monthly income for all borrowers and non-borrowing spouses or legal domestic partners verifying all income from all sources.” 2.“Qualifying income: All borrower income used in the housing expense to income ratio and debt to income ratio for purposes of the first mortgage.”
5-2. Credit Underwriting Guidelines H: Verbal Verification of Employment	Ch. 5, page 7	H. Added clarification of requirement: “If a borrower has no deferred employment, Lenders must obtain a verbal verification of employment (verbal VOE) for each borrower using employment or self-employment income to qualify.”
5-2. Credit Underwriting Guidelines J8: Credit Overlays	Ch. 5, page 9	J8. Foreclosure of a timeshare property: Added requirement. “The deeded interest in a timeshare property can be foreclosed. The Agency considers this real property and therefore would treat it as a foreclosure.”
5-2. Credit Underwriting Guidelines G10: Credit Overlays	Ch. 5, page 9	G10. Cryptocurrency: Added requirement. “Documentation requirements must follow GSE/Insurer guidelines. Cryptocurrency is not an eligible asset unless liquidated for U.S. dollars and then may be eligible for down payment, reserves, or closing costs. Cryptocurrency must be included in the asset test unless it is part of a qualified retirement account.”
5-2. Credit Underwriting Guidelines G11: Credit Overlays	Ch. 5, page 9	G11. Cesspool: Added requirement. “The property cannot be sold with a cesspool. It must be upgraded to a septic system.
5-2. Credit Underwriting Guidelines G12: Credit Overlays	Ch. 5, page 9	G12. Written Verification of Employment (VOE): Added requirement. “All loans require Written Verification of Employment.
5-2. Credit Underwriting Guidelines G13: Credit Overlays	Ch. 5, page 10	G13. Return to work after temporary absence: Added requirement. “Borrower must return to work prior to approval. Participating Lender must provide one (1) paystub for one full pay cycle prior to NJHMFA loan approval.”
5-2. Credit Underwriting Guidelines G14: Credit Overlays	Ch. 5, page 10	G14. Tradelines: Added requirement. “A minimum of two (2) tradelines with twelve (12) months of established history is required. The accounts included cannot have been closed more than six (6) months prior to loan application. Rental housing payments are acceptable as a

		2nd tradeline if there is at least one (1) established tradeline on the credit report. Lenders must comply with GSE/Insurer guidelines if more stringent. “
5-2. Credit Underwriting Guidelines G15: Credit Overlays	Ch. 5, page 10	G15. Federal Taxes: Added requirement. “If Federal Taxes have been filed and not due (April 15th or prior), provide proof of payment in full or an IRS installment agreement or additional reserves to cover amount owed (above and beyond one (1) month requirement). After April 15th, evidence may be required that taxes are paid in full.”
5-5. Program Specific Underwriting Requirements. A: NJHMFA First-Time Homebuyer Mortgage Loan Program	Ch. 5, page 13	A. Added clarification of requirement. “First Time Home Buyers cannot retain a current primary and evidence must be provided indicating the current primary residence has been sold or is no longer their primary residence. The evidence will be reviewed and approved by NJHMFA prior to closing Note: The First Time Home Buyer Program requires all sources of income to be included within the compliance income calculation.”
5-5. Program Specific Underwriting Requirements. B: NJHMFA First-Time Homebuyer Mortgage Loan Program	Ch. 5, page 12	B. NJHMFA Homeward Bound Program: Added clarification of requirement. “Note: The Homeward Bound Program allows the qualifying income to be used to determine if the loan meets the income limits.”
5-5. Program Specific Underwriting Requirements C3: NJHMFA HFA Advantage Program	Ch. 5, page 13	C3. Added clarification of requirements: “Income and Purchase Price Limits are set by Freddie Mac on an annual basis and will be posted on the Agency website.” “Note: The HFA Advantage Program allows the qualifying income to be used to determine if the loan meets the income limits.”
5-5. Program Specific Underwriting Requirements D1c: Police and Firemen’s Retirement System Mortgage Loan Program (PFRS)	Ch. 5, page 13	D1c. Added clarification of requirement: “The Borrower must have one (1) year of creditable service and be actively contributing to the pension plan by the date of loan closing (Note date).” “Note: Participating Lending to provide evidence available using most recent copy from the MBOS statement or a current letter from the Pension Board.”
6-1. Loan Reservation Policy and Loan Reservation Pipeline Management A6: Loan Reservation Policy	Ch. 6, page 1	A6. Added PFRS requirement for reservation expiration. “If a PFRS loan reaches sixty (60) days expired and the closed loan package has not been received by NJHMFA; the loan will be cancelled and subject to repricing per the Pricing Policy in this chapter.”

7-3. Appraisal Reports and Requirements A: General Requirements	Ch. 7, page 3	A. Added requirements for appraisal discrimination and Appraiser Independence Requirements.
7-4. Property Types and Classifications C: Condominium/Planned Unit Developments	Ch. 7, page 7	C. Condominium/Planned Unit Developments: Added documentation requirements based on review method. C1e. Added program clarification. "2 – 4 Unit Project not permitted."
8-5. Property Insurance Coverage for Units in Project Development B1: Required Coverage for Condo or PUD Projects	Ch. 8, page 10	B1. PUD Requirements: Added clarification of requirement. "A standard Homeowner's Policy is acceptable for the individual subject property."
9-2. Closing the Loan Limitations On Cash Back	Ch. 9, page 2	9-2. EMD Maximum Cash back requirement: Added clarification of requirement. "Borrowers seeking to recover all or a portion of their Earnest Money Deposit in excess of reimbursement for eligible expenses paid directly by the borrower ($3,000) must have a fully executed sales contract/addendum that reflects a loan amount that matches the loan amount on the Lenders Underwriting Transmittal."
9-9. Closing the Loan/Power of Attorney (POA)/Authorizations A: Borrower Power of Attorney or Authorization Documents B: Seller Power of Attorney or Authorization Documents	Ch. 9, page 7	A & B. Added clarification of requirements.
10-8. Selling the Loan to NJHMFA A & B: Repurchase Process and Repurchase Price	Ch.10, page 12	A & B. Added Repurchase process and pricing clarification.
11-1. Post Purchase Trailing Documents	Ch. 11, page 1	11-1. Delivery Deadline: Changed "Collateral Documents" to "Trailing Documents".

12-2. Participating Lender Non-Compliance: Breach, Remedies and Repurchase M: Participating Lender Non-Compliance that May Lead to Repurchase, Indemnification	Ch. 12, page 4	M. Added Lender responsibility: “If Lender indemnifies a loan with a GSE or Insurer, they must immediately notify NJHMFA of the indemnification.”

DEFINITIONS

Capitalized terms, and abbreviations used herein have the following meanings unless otherwise defined as relates to a particular Agency program.

ACQUISITION COST. The cost of acquiring a residence from the seller as a completed residential unit. Included in the calculation of Acquisition Cost are (i) all amounts paid (in cash or in kind) by or on behalf of the purchaser to or on behalf of the seller as consideration for the residence, (ii) the reasonable cost (irrespective of the source of funding) of completing an incomplete residential unit and (iii) the capitalized value (using a discount rate equal to the bond yield) of ground rent where a residence is purchased subject thereto. Excluded from the calculation of acquisition cost are (i) the usual and reasonable settlement costs, including title and transfer costs, title insurance, survey fees and other similar costs and (ii) the usual and reasonable financing costs, including credit reference fees, legal fees, appraisal expenses, "points" paid by the purchasers and other financing costs. "Usual and reasonable" costs include such costs only to the extent they do not exceed functionally equivalent costs where financing is not provided by a qualified mortgage bond issue. Also excluded from the calculation of acquisition cost is the value of services performed by the mortgagor and certain family members to complete the residence ("sweat equity") and the cost of land owned by the mortgagor for at least two years prior to the date construction of the residence began.

AGENCY or HMFA or NJHMFA. The New Jersey Housing and Mortgage Finance Agency.

AGENCY STAFF. Employees of the Agency's Division of Single Family Programs who are responsible for regular and assigned duties that relate to the programs set forth in this guide; this term also includes executive staff of the Agency given authority over this division.

ALTA. American Land Title Association.

AMI. Area Median Income – the household income for the median-or middle- household in a region as calculated by HUD.

ANNUAL HOUSEHOLD INCOME.

The aggregate gross annual income for all borrowers, co-borrowers and mortgagors, including non-borrowing spouses and domestic partners, all of whom are required to occupy the dwelling within 60 days of the Closing Date. Annual Household Income includes all sources of income as described in Chapter 3 of this guide. Annual Household Income review is required under the First Time Homebuyer first mortgage program.

APPLICABLE LAW. The laws, regulations, administrative rules, and official guidance of the United States of America, New Jersey, and/or any other jurisdiction that regulate the issuance of Mortgage Loans in the State, including, without limitation, the Participating Lender's ability to originate the financing; requirements of the Agency's funding sources upon assumption of the Mortgage Loans; and/or provide for consumer and/or investor protection in the advertisement, application, obtaining, and servicing of the Property financing. "Applicable Law" includes, but is not limited to, the laws set forth in Appendix.

AUS. Automated Underwriting System.

BOND or MRB or QUALIFIED MORTGAGE REVENUE BOND. A financing and investment vehicle used to finance single family housing, subject to the requirements set forth at Section 143 of the Code.

BORROWER. A natural person who applies and obtains for a Mortgage Loan to purchase or refinance an Eligible Property. Borrower also includes a natural person who applies for and obtains a Smart Start, or other DPA, Mortgage Loan. Business entities of any kind do not meet the definition of Borrower.

CBI OR CONFIDENTIAL BORROWER INFORMATION. Non-public personal information protected under the Gramm-Leach-Bliley Act and/or other Federal law.

CD. Closing Disclosure.

CFPB. Consumer Financial Protection Bureau.

CLOSING DATE. The date on which the documents evidencing and securing all of the Agency's financing for the Property are fully executed.

CLOSING DISCLOSURE. The Closing Disclosure replaces both the HUD-1 under RESPA, and the final Truth in Lending Disclosure under TILA. The Closing Disclosure provides a summary of the actual loan terms, the loan costs, other settlement costs, and additional closing disclosures.

CO-BORROWER. An individual who may, but need not have an interest in the property, who always signs the Mortgage Note, and in some cases, the Mortgage, and is equally responsible for the terms of said documents that he or she actually executed in the transaction.

CODE. The Internal Revenue Code of 1986, as amended, together with the regulations appurtenant thereto, letter rulings of the Internal Revenue Service and interpretations of the Code supplied by the Agency's bond counsel and courts of competent jurisdiction. In particular, Section 143 of the Code sets forth basic requirements for Qualified Mortgage Revenue Bonds.

TRAILING DOCUMENTS. All originally executed and recorded (where applicable) Mortgage Loan documents that evidence the Mortgage Loan transaction and perfect the security interest thereof including, but not limited to, all Mortgages, Assignments of Mortgage, Mortgage Notes, title policy, and Mortgage modifications or amendments and, where applicable, any MI certificates or loan guarantee certificates in a particular transaction.

CO-MORTGAGOR. An individual, with an interest in the property, who always signs the Mortgage, and in some cases, the Mortgage Note, and is equally responsible for the terms of said documents that he or she actually executed in the transaction.

COMPLIANCE PACKAGE. Documentation provided to Agency Staff for underwriting a First Time Homebuyer Loan.

CO-SIGNER. An individual who signs the Mortgage Note, but not the Mortgage, with the Mortgagor and is equally responsible for the terms of the Mortgage Loan but does not have an interest in the Property.

DCA. The State of New Jersey, Department of Community Affairs.

DCA GREEN CARD. A certificate of inspection issued by the DCA's Bureau of Housing Inspection.

DELEGATED PARTICIPATING LENDER. A Participating Lender who has FHA Direct Endorsement Authority.

DELEGATED UNDERWRITER. An employee or owner of Participating Lender who meets the delegated underwriting criteria established by the Agency for delegated underwriting and who is authorized by the Agency to underwrite and to make underwriting decisions about loans to be purchased by the Agency without prior Agency approval or re-underwriting except for issues related to Tax and Program Compliance.

DELIVERY DATE. With respect to any Mortgage Loan sold or offered for sale to the Agency by the Participating Lender under this Agreement, the date on which all documents and instruments required under the Participating Lender's Guide to be delivered by the Participating Lender to the Agency in connection with the sale of the Mortgage Loan have been delivered to the Agency or to any person, firm or corporation designated by the Agency to act on its behalf.

DESIGNATED AGENCY STAFF. Upper management staff authorized by the Executive Director and NJHMFA Board to grant waivers to Participating Lenders.

DIRECT ENDORSEMENT UNDERWRITER. A Participating Lender's employee who has FHA Direct Endorsement Authority.

DOCUMENT CHECKLIST. A form required by NJHMFA for loan submissions.

DOCUMENT CUSTODIAN. The Agency-approved entity entrusted with the storage and maintenance of Mortgage Loan transaction Collateral Documents.

DODD-FRANK ACT. Fully known as the Dodd-Frank Wall Street Reform and Consumer Protection Act. A U.S. federal law enacted in 2010 to create financial regulatory processes to limit risk by enforcing transparency and accountability in the banking industry.

DPA. Down Payment Assistance.

DTI. Debt to income ratio.

DU. Desktop Underwriting System.

DWELLING UNIT. A single, unified combination of rooms that is designed for residential use for one family.

ELIGIBLE PROPERTY. A permanently affixed lawful residential building, together with the land or common interest on in the land on which and common areas in which the building is located, in the State of New Jersey which is (i) an existing Single Family Dwelling (ii) a newly constructed Single Family Dwelling that has never been occupied. Properties may be under fee simple, condominium or cooperative owners. Properties must not exceed the Agency's maximum permitted purchase price. A property shall not qualify as an Eligible Property if any portion is used or intended to be used for non-residential purposes. A building in which the mortgagor cannot legally occupy a unit within sixty days of closing shall not qualify as an Eligible Property.

EPD. Early payment default. EPD is applicable to the greater of A) the first four (4) payments due to the Agency following purchase of the loan from Participating Lender ("post-purchase payments"), and B) the requirements of the underlying investor/insurer (FHA/VA/USDA/Fannie Mae/Freddie Mac). If any of the first four post-purchase payments becomes 60 days or more delinquent or meets the underlying Investor/insurer's definition of EPD, the loan shall be in EPD and will result in the Lender repaying 2.75 points plus $2,000. All EPD loans may trigger a quality control review by the Agency's Audit Division.

ESCROWS. Payments required to be made under the terms of a Mortgage Loan by Mortgagor and to be paid into an escrow account to cover expenses, which shall include, but not be limited to, all taxes and special assessments, as well as hazard and flood insurance premiums, and mortgage insurance premiums.

FANNIE MAE. Federal National Mortgage Association (FNMA).

FEDERAL GOVERNMENT. The national government of the United States of America.

FEDERAL GREEN CARD. The card issued by USCIS, and subject to renewal, that confirms an individual's status as a permanent resident of the United States of America.

FHA. Federal Housing Administration.

FHA DIRECT ENDORSEMENT AUTHORITY. FHA approval of a Participating Lender and/or underwriter to participate in that agency's Single Family Direct Endorsement Program. This authority allows for loan origination, underwriting, and closing of FHA-insured loans without prior approval from HUD.

FIRM COMMITMENT TO MORTGAGOR. A letter from the Participating Lender to a prospective Mortgagor, certified as to authenticity by a duly authorized officer of the Participating Lender, which, for a specified period of time, commits the Participating Lender to make a Mortgage Loan and state loan amount, loan term, loan interest rate, the particular residence that is being mortgaged, and any conditions imposed by the Agency.

FIRST-TIME HOMEBUYER. A borrower who has not had an ownership interest in their primary residence during the previous three (3) years from the closing date. For the First-Time Homebuyer Program, the term First- Time Homebuyer includes all borrowers and mortgagors.

FREDDIE MAC. Federal Home Loan Mortgage Corporation (FHLMC).

GINNIE MAE. Government National Mortgage Association (GNMA).

GSA Exclusionary List. The United States General Services Administration (GSA) list of parties that cannot perform business with the Federal Government.

GSE. Government Sponsored Entity.

GUIDE or PARTICIPATING LENDER'S GUIDE. This guide, as it may be amended from time to time by the NJHMFA, containing the rules governing the delivery of Mortgage Loans purchased by the NJHMFA from the Participating Lender under the Mortgage Purchase Agreement.

HOMEBUYER PROGRAM. First-loan mortgage products, including First-Time Homebuyer, Homeward Bound, Stay at Home and any and all existing or future first-loan product(s) offered by NJHMFA and financed through MBS or MRB funding. Police and Fire Retirement System (PFRS) loans are not included.

HOMEBUYER LOANS**.** First-loan mortgages produced under the Homebuyer Program.

HUD. United States Department of Housing and Urban Development.

HUD LDP LIST. HUD Limited Denial of Participation list.

INTERNET LOAN RESERVATION SYSTEM or ILRS. The NJHMFA's internet-based loan registration system through which Sellers register their loans with the NJHMFA, track status, and receive approval to proceed to loan closing. The system is also known as the Lender Portal.

INTERIM SERVICING. Servicing of Mortgage Loans for the period beginning with the Closing Date and running through the first payment due to the Agency after the Purchase Date, and subject to the requirements of Applicable Law.

IRS. The Internal Revenue Service of the United States Department of the Treasury.

LE. Loan Estimate. The Loan Estimate replaces both the GFE under RESPA and the initial Truth in Lending Disclosure under TILA. The Loan Estimate provides a summary of the contemplated loan terms, estimated loan costs, other estimated closing costs, and additional application disclosures.

According to the CFPB, consumers will be able to utilize the Loan Estimate when comparing different loans.

LEAP. FHA's Lender Electronic Assessment Portal.

LENDER BULLETIN. Periodic communications posted by NJHMFA to provide Agency or Program announcements.

LOAN GUARANTY CERTIFICATE or LGC. VA Form 26-1899, or equivalent successor, evidencing guaranty of mortgage loans by the VA.

LOAN NOTE GUARANTEE or LNG. Form RD 1980-17, or equivalent successor, evidencing guaranty of mortgage loans by the USDA.

LTV or LOAN-TO-VALUE. The percentage ratio comparing the unpaid principal balance of a Mortgage Loan to the appraised value or sale price (whichever is lower) of the Property.

MBS. Mortgage-backed securities, which are a financing and investment vehicle used to finance single family housing and that are subject to the requirements of a guarantor.

MI. Mortgage insurance, whether from a private or public provider.

MIC. Mortgage Insurance Certificate. The FHA-issued mortgage insurance certificate, which demonstrates that a Mortgage Loan is insured by the FHA.

MORTGAGE. The instrument, which is recorded in public record, which secures the Note by way of an interest in the Property.

MORTGAGE LOAN. A purchase money or refinance loan evidenced by a note and secured by a first priority mortgage lien on the Property or, in the case of an Agency subordinate assistance loan, a second priority mortgage lien on the Property.

MORTGAGE NOTE or NOTE. The instrument by which the Mortgagors and/or Borrowers agree to repay the Mortgage Loan financing subject to this Guide, and which is secured by the Mortgage.

MORTGAGE PURCHASE AGREEMENT (MPA). That certain agreement between the NJHMFA and the Participating Lender to which the NJHMFA agrees to purchase from Participating Lender Mortgage Loans in accordance with the Participating Lenders Guide and applicable Term Sheet.

MORTGAGE SERVICING AGREEMENT. An agreement between the NJHMFA and servicer under which the servicer agrees to service Mortgage Loans purchased by the Agency in connection with the Mortgage Program. Note that the Mortgage Servicing Agreements are in place for loan portfolios that predate the current requirement that all servicing is acquired by the NJHMFA as part of the mortgage purchase. When the Agency is master servicer of a loan portfolio, the subservicers of such portfolios are subject to the terms and conditions of a subservicing agreement with the NJHMFA.

MORTGAGOR. The person or persons who executed the mortgage instrument securing a Mortgage Loan together with the maker or makers of the note evidencing said Mortgage Loan (if any such person is not the maker of the note), all of whom shall be natural persons. The term "Mortgagor" shall also include natural persons who have assumed the obligations of a Mortgagor. The term "Mortgagor" does not include a co-signer.

MRB or BOND or QUALIFIED MORTGAGE REVENUE BOND. A financing and investment vehicle used to finance single family housing, subject to the requirements set forth at Section 143 of the Code.

MUD or MULTIPLE UNIT DWELLING. An existing building that consists of two, three, or four residential Dwelling Units, one of which must be occupied by the Mortgagor.

PARTICIPATING LENDER. An originating lender approved by the NJHMFA who has executed a Mortgage Purchase Agreement, completed all necessary training and is compliant with all required policies and procedures required under same.

PARTICIPATION APPLICATION**.** Any application by which the Participating Lender requests participation in the Agency's Single Family Mortgage Programs for a given year and offers to sell Mortgage Loans to the Agency under such programs.

PFRS. The State's Police and Firemen's Retirement System.

PFRS MORTGAGE LOAN PROGRAM. The Agency's loan program for members of the PFRS.

PREVAILING TIME. The time of day as officially recognized by the State for a particular date (e.g., Eastern Standard Time or Eastern Daylight Savings Time).

PRIOR APPROVAL. The written approval given by the NJHMFA after review of documents evidencing compliance with the Mortgage Loan eligibility and processing requirements of this Guide; upon which the Participating Lender may issue a Firm Commitment to Mortgagor.

PROPERTY. The real property, and all permanent fixtures thereon and appurtenances thereto, located in the State of New Jersey, purchased with and securing the Mortgage Loan.

PROPERTY VALUE. The lower of (i) the appraised value of the Property as of the Closing Date, or (ii) the purchase price paid for the property by Mortgagor.

PUD. Planned Unit Development.

PUD ENDORSEMENT. An ALTA title insurance endorsement for a planned unit development, currently codified as ALTA 5.

PURCHASE DATE. The date upon which payment is made to the Participating Lender with respect to any Mortgage Loan sold to the Agency by the Participating Lender under the Mortgage Purchase Agreement.

PURCHASE PACKAGE. Loan file submitted by the Participating Lender with required documentation for NJHMFA to purchase.

QUALIFIED MORTGAGE REVENUE BOND. A financing and investment vehicle used to finance single family housing, subject to the requirements set forth at Section 143 of the Code

RECAPTURE TAX. The Code requirement applicable to Mortgage Revenue Bond funded Mortgage Loans closed on or after January 1, 1991, with tax exempt bond financing are subject to a repayment of the interest savings to the IRS if a property is sold within the first nine (9) years after closing. For more complete information, see the discussion of Recapture on the Agency's website.

REPURCHASE. When NJHMFA demands that a Participating Lender buy back a loan.

RESERVATION CONFIRMATION. A document from the ILRS that acknowledges the registration of a Mortgage Loan with the Agency.

SERVICER. A business that collects mortgage payments from borrowers and manages the borrower's Escrow.

SINGLE FAMILY DWELLING. A residential building designed for use by one family, or a unit of a Multiple Unit Dwelling designed for residential use by one family, the owner of which unit owns an undivided interest in the underlying real estate. The term Single Family Dwelling may also include a single unit condominium or factory-made housing that is permanently affixed to real property. The term also includes property, owned in common with others, which is necessary or contributes to the use and enjoyment of such a structure or unit.

STATE OF NEW JERSEY or STATE. The State of New Jersey in its capacity as a body politic including its constituent departments, agencies, authorities and other official bodies; should the context require it, State and State of New Jersey are a geographical reference to all of the territory included within the legal and political boundaries of the State.

STATEWIDE. The geographical designation for loans originated throughout the state but outside of the Target areas.

SUB-SERVICER. Has the capacity to subservice for Lender the residential mortgage loans currently in Lender's closed loan portfolio. Lender is or will be either (1) the owner of the Mortgage Loans or (2) the owner of the servicing rights to the Mortgage Loans.

TARGET AREA (also, “Eligible Neighborhood” or “Urban Target Area”). Any of the geographical areas of the state which are eligible in accordance with Section 103A of the Internal Revenue Code of 1954 and Section 146 of the Internal Revenue Code of 1986, as amended, and the regulations thereunder.

TERM SHEET. The written terms and conditions prepared by the NJHMFA for each of its loan products. The Term Sheets describe the loan type and loan parameters and conditions that must be met for the loan to be purchased by the Agency.

TRAILING DOCUMENTS. Documents concerning a Mortgage Loan that due to their nature are likely to become available or be issued after submission of the Purchase Package, and perhaps after the Purchase Date, but which are essential components of the Loan File. Timely submission of Trailing Documents in form and content acceptable to the Agency is a condition subsequent of the Agency’s agreement to purchase that Mortgage Loan. Examples of Trailing Documents include recorded copies of deeds and Mortgages, and servicing transfer letters; complete checklist(s) of trailing documents for the loan programs set forth in this Participating Lender Guide are available on the Agency’s website.

TRID. TILA-RESPA Integrated Disclosure Rule. The new rule issued by the CFPB that combines certain disclosures that consumers receive in applying for and closing on a residential mortgage loan, including disclosures required under the Truth in Lending Act (TILA) and the Real Estate Settlement Procedures Act (RESPA). The new disclosures are generally referred to as the "combined" or "integrated" disclosures. The final rule mandates the use of two disclosures, the three-page Loan Estimate (which replaces the Good Faith Estimate (GFE) and the initial Truth in Lending Disclosure) and the five-page Closing Disclosure (which replaces the HUD-1 and final Truth in Lending Disclosure). The rule became effective October 3, 2015

UFMIP. FHA Up Front Mortgage Insurance Premium.

UNDERWRITING FILE. The documents and exhibits necessary to verify income, assets, credit, and to otherwise demonstrate that a specific Agency product may finance a particular purchase transaction.

USCIS. United States Citizenship and Immigration Services within the United States Department of Homeland Security.

USDA. United States Department of Agriculture Rural Development.

VA. United States Department of Veterans Affairs.

VETERAN’S EXEMPTION. An exemption from the three (3) year ownership rule for First-Time Homebuyers. Qualified veterans must have been retired, discharged, or released from duty under conditions other than dishonorable, and active-duty military borrowers must have completed their initial military obligation. Acceptable evidence of eligibility includes a copy of the veteran's Certificate of Eligibility or Title 38 letter and a DD214 or Statement of Service. Veterans cannot retain an existing primary residence.

RULES OF CONSTRUCTION.

(a) All warranties, representations, requirements, and terms of the Participating Lender Guide are incorporated into the MPA by reference, as if fully set forth herein.

(b) To the degree possible, the MPA, the Participating Lender Guide and the Mortgage Programs' respective Term Sheets and guidelines are to be read in a complementary fashion. However, to the extent that there is a conflict of terms, the MPA shall take precedence over all the rest, with the exception of Lender Bulletins released after publication of this Guide. As to conflicts between the Participating Lender Guide and the Terms Sheets or guidelines, the requirements of the Participating Lender Guide shall prevail.

(c) "Must," "shall," and/or "will," even if not capitalized, establish a mandatory requirement; "can," may," and/or "might," whether or not these terms are capitalized, establish a permissive action.

(d) All terms in the MPA, including defined terms, may be used in the singular or plural, as the context requires.

Chapter 1

PARTICIPATING LENDER RELATIONSHIP

1-1: INITIAL QUALIFICATIONS

To be approved as a Participating Lender for the first time, the applicant must meet the following qualifications:

A. Authorization to Do Business

Be authorized to do business in the State of New Jersey and be federally chartered and/or licensed by the State as a mortgage lender. Applicant cannot be on a State or Federal list that prohibits the Participating Lender from conducting business with State or Federal governmental entities.

B. Net Worth Requirement

Have a net worth equal to or in excess of requirements mandated by FHA or Fannie Mae, whichever is higher.

C. Insurance Requirements

Have fidelity bond and mortgage and errors and omissions coverage in an amount at least equal to $500,000.00 and provide a certificate from the insurance carrier naming the New Jersey Housing and Mortgage Finance Agency as a party in interest to the bond, or the policy or bond shall name the New Jersey Housing and Mortgage Finance Agency as one of the parties insured.

D. Experienced Staff

Have a staff with demonstrated ability and experience in residential mortgage loan origination, processing, underwriting, closing, post-closing, and Interim Servicing at all locations where Agency Mortgage Loans are offered. Lenders that are applying to re-enter the program or have senior management with prior NJHMFA experience must have a proven track record with NJHMFA in all aspects of mortgage loan origination. Participating Lenders must provide the Agency with resumes for senior management and any staff for whom Delegated Underwriting status is sought.

E. Required Purchase Agreements

Have executed and returned to the Agency a Mortgage Purchase Agreement for the calendar year.

F. Lender's Quality Control Plan

Provide a written Quality Control Plan for loan origination, along with approvals by all applicable GSEs or Insurers. The plan should be administered independently from the origination process.

G. Insurer Approvals

Have appropriate approval for the insurer/guarantor for loan to be originated (i.e., FHA. VA. USDA or individual private mortgage insurers), including FHA Direct Endorsement and VA Automatic Approval.

H. Origination Capacity

Be eligible to and have staff qualified to originate loans under all NJHMFA single family loan programs that they elect and are qualified to originate.

Moreover, the Participating Lender shall advise the Agency, upon the submission of its annual renewal application, of the Agency programs they intend to participate in for the coming renewal period. A Participating Lender will be prohibited from participating in any programs then existing but not selected in the application until such time as their next annual renewal application is submitted, at which time the Participating Lender may seek to opt in or out of Agency programs for that coming year. This limitation shall not apply to any new program during the first calendar year of availability. In that case, Participating Lenders will be given an opportunity to opt in to such new program as the Agency makes it available, provided the Participating Lender then has the qualified staff and other resources necessary to participate in such program. For subsequent renewals, the new program will be subject to the same opt in/opt out options as all other programs subject to this Guide.

I. Performance History

Have a past history of satisfactory performance with the NJHMFA, other mortgage lenders, and insurers demonstrating the ability to meet obligations of NJHMFA lender participation. These criteria will be demonstrated by the NJHMFA's prior experience with the Participating Lender, if any, and that of the Participating Lender's references and other business partners as the Agency may contact. Any application previously denied or terminated by NJHMFA shall not be eligible to reapply for 24 months.

J. Office in the State

Have a physical office located in New Jersey at which the general public may make loan application and from which the Participating Lender has originated loans for a period of not less than 12 months immediately preceding the application date.

K. Neighborhood Watch

FHA 2 year compare ratio should not exceed 120% of that agency's national, State, or local regional office.

L. Appraisal Independence Standards

Must provide a copy of the Participating Lender's appraiser independence policies and procedures which shall, at a minimum, satisfy Fannie Mae Appraiser Independence Requirements.

M. Hiring Procedures

Provide a copy of the Participating Lender's hiring procedures for checking all employees, including management, involved with the origination of mortgage loans against the GSA Exclusionary List and HUD LDP list.

N. Loan Originator Compensation Policy

Provide a copy of the Participating Lender's policy regarding the compensation of all staff considered "loan originators" under CFPB regulations.

O. Loan Originator

Is not permitted to act as either the listing or selling agent, or receive dual compensation as a lender and real estate agent on any NJHMFA transaction.

P. Other Qualifications

Meet such other qualifications, as the Agency's Executive Director shall deem relevant.

1-2: PARTICIPATING LENDER APPROVAL PROCESS

A. Application

The lender generates a Participation Application on-line or requests a Participation Application from NJHMFA's Manager of Business Development, completes the application and forwards along with all other required supporting documentation to NJHMFA's Manager of Business Development. Incomplete applications will be summarily denied, and an interested lender will have to reapply.

B. Approval Notification

NJHMFA's Manager of Business Development, in consultation with NJHMFA's Audit Division, reviews the application and responds by letter of approval or rejection to the lender's senior management. A $2,000 annual participation fee is required to be paid by the lender upon acceptance of the approval.

C. Required Training

Newly approved Participating Lender's staff shall complete all required NJHMFA training, and any training required by any Agency authorized designee and/or vendor, prior to being authorized to originate loans in adherence to this Guide. The newly approved Participating Lender must contact the Single Family Business Development Team via e-mail at SFLenders@njhmfa.gov to schedule training.

D. Existing Participating Lenders are encouraged to have staff members complete NJHMFA training annually to better understand our programs and to improve loan quality. Existing Participating Lenders can send an e-mail training request to the Single Family Business Development Team at SFLenders@njhmfa.gov.

1-3: MAINTAINING PARTICIPATING LENDER APPROVAL STATUS

After initial approval, each Participating Lender will be required to meet the following requirements to maintain their status as an approved NJHMFA Participating Lender:

A. Application and Mortgage Purchase Agreement. At the beginning of each calendar year or such other time as the Agency shall designate, a Participating Lender must re-apply to continue offering Agency Mortgage Loans during that year and submit all documentation as required in this Sub-Section and under Applicable Law. The $2,000 annual participation fee shall be submitted with the renewal application. The Participating Lender must sell to NJHMFA no fewer than five (5) first-mortgage NJHMFA Homebuyer loans during each full calendar year thereafter. Unless otherwise specified, the renewal application, the fee, and all required documentation and exhibits must be sent to the Agency's Manager of Business Development.

B. Insurance and Net Worth Requirements

Maintain required fidelity bond, errors, omission insurance and net worth requirements:

1. Annual Financial Statement

Provide NJHMFA with financial re-certification documentation as required by HUD, within 90 days of the Participating Lender's fiscal year end. The financial statement shall include a balance sheet, an income statement, and a statement of retained earnings, all related notes and an opinion of an independent certified public accountant as to the correctness of those statements. The Participating Lender shall also provide a copy of FHA acceptance of financials through LEAP.

2. Certificate of Insurance

Provide NJHMFA's Manager of Business Development with certificate from the insurance provider confirming that the fidelity bond and mortgage errors and omission insurance are still in effect in the amounts as required in 1-1.C above. Certificates are to be provided when coverage is renewed, or a new policy issued.

C. Quality Control

1. Lender's Quality Control Plan

Provide annual certification that the Participating Lender's Quality Control plan meets applicable GSE/Insurer requirements. Provide the Manager of Business Development copies of any notification forwarded to an GSE/Insurer for loan ineligibility, violations of law or regulations, false statements or program abuses by the Participating Lender, its employees or any other party to the transaction as required under the respective quality control plan or sent to the Participating Lender by an insurer, guarantor, or State of Federal government entity.

2. Procedures:

Participating Lenders shall follow VA, FHA, USDA, Fannie Mae and Freddie Mac quality control procedures as they apply. Fannie Mae or Freddie Mac procedures must be followed for NJHMFA conventional loans unless otherwise instructed per program guidelines.

3. NJHMFA Quality Control Reviews:

NJHMFA will perform a monthly post purchase quality control review on a random and discretionary sample of no less than ten percent of the loans purchased or per GSE/Insurer requirements Participating Lenders will be advised of significant findings resulting from these reviews and given an opportunity to remediate the findings. Findings will be forwarded to the Lender by e-mail. Responses are required to be returned to NJHMFA in accordance with the GSE/Insurer guidelines. Timely correction or resolution of any deficiencies, in form and content acceptable to the Agency, is a condition subsequent to the Mortgage Loan purchase. If a deficiency cannot be corrected or resolved, repurchase may be required.

A history of significant findings, including unacceptable loan ratings, repurchases, indemnifications or non-compliance may affect the Participating Lender's eligibility for further participation including suspension or termination of the relationship. Lenders whose quality control review reveals a loan defect rate that is greater than 20% above the average defect rate of all Lenders may be subject to additional requirements including, but not limited to, required trainings held by NJHMFA staff, required quality control review of a higher percentage of delivered loans, additional agency pre-closing loan review, and/or a limitation of the origination of some or all Agency programs. The cost of the additional loan review shall be paid by the Participating Lender and may be netted from the loan purchase price at the time of purchase or repurchase if applicable.

Any violation, misrepresentation or fraud will be immediately reported to the required regulatory Agency or Investor. If there is sufficient evidence to confirm a Lender participated in any material violation, misrepresentation or fraud, the Lender may be immediately terminated from doing business with NJHMFA at the Agency's sole discretion.

D. Annual Participation Fee

A $2000 participation fee shall be submitted annually.

E. Minimum Origination Volume

Originate no fewer than five (5) first-mortgage NJHMFA Homebuyer loans during each full calendar year thereafter.

F. Notification of Organizational Changes

Provide written notice, by electronic mail, within 48 hours to NJHMFA's Manager of Business Development of any major organizational changes contemplated, including but not limited to:

- Resignation or replacement of senior management personnel;
- Resignation or replacement of any Delegated Underwriter;
- Mergers, acquisitions or corporate name change;
- Change in savings and loan association charter or State licensure to issue Mortgage Loans;
- Change in financial position;
- Any reorganization, which centralizes or decentralizes a primary function (i.e., underwriting, closing or post-closing);
- Opening or closing of offices originating NJHMFA loans (include address, phone number and branch manager's name);
- Significant changes in ownership (5% or more).

G. Compliance with NJHMFA Requirements

Maintain compliance with NJHMFA's enabling laws and administrative rules promulgated thereunder and all policies, procedures, and Term Sheets as stated in this Participating Lender's Guide, and any amendments thereto, any subsequent notifications or policy or program changes, and compliance with terms and conditions contained in the Mortgage Purchase Agreement.

H. Acceptable Loan Performance

Originate Mortgage Loans resulting in a delinquency rate determined to represent an acceptable risk to NJHMFA based on loan performance and other factors that may generally affect residential mortgage lending in the State.

I. Agency Reports

Provide a copy of the Participating Lender's most recent mortgage call report filed with the State and/or CFPB pursuant to the Secure and Fair Enforcement for Mortgage Licensing Act of 2008. The Participating Lender will also provide any additional reports received from or filed with the State or any Federal Agency regulating the Participating Lender's residential mortgage lending in the State as may be requested by NJHMFA as a condition of renewal and continued good standing to originate Agency Mortgage Loans.

J. Neighborhood Watch

FHA 2 year compare ratio should not exceed 150% of FHA's national, State or local regional office.

K. Compliance Policies and Procedures

Lender shall furnish a copy of any and all policies drafted to comply with Applicable Law and/or any State or Federal regulator of the Participating Lender as the Agency may request.

L. Records Retention

Participating Lenders shall maintain records in accordance with the applicable insurer and/or investor guidelines and in adherence with all State or Federal regulatory requirements. Access to such records as relate to the Participating Lender's performance under this guide shall be made available to the Agency upon request.

1-4: DELEGATED PARTICIPATING LENDER QUALIFICATIONS

Participating Lenders are required to underwrite First-Time Homebuyer, Homeward Bound, HFA Advantage, DPA and PFRS loans prior to review by NJHMFA. First-Time Homebuyer, Homeward Bound, HFA Advantage and DPA require NJHMFA review prior to closing. PFRS loans shall be closed by the Participating Lender prior to review by NJHMFA. To be approved to participate as a Delegated Participating Lender, and have staff approved as Delegated Underwriters, the following qualifications must be met:

A. Delegated Underwriters

Delegated Underwriters must have at least three years of residential underwriting experience. To underwrite First-Time Homebuyer and Homeward Bound loans, underwriters must possess FHA Direct Endorsement Authority. Any staff that the Participating Lender wants the Agency to approve as Delegated Underwriters must be identified by the Participating Lender and submit resumes for Agency review as a part of Participating Lender Application and ongoing as Participating Lender staff may change throughout the year.

B. Information to Staff/Key Contact

The Participating Lender will be responsible for informing its staff of NJHMFA procedural changes and requirements. The Participating Lender will designate key contacts for receipt of correspondence from NJHMFA and will notify NJHMFA of any changes in those contacts.

1-5: LOAN ORIGINATION RESPONSIBILITIES, PROCESS AND REQUIREMENTS

The within Section is a broad overview of the Participating Lender's processes, responsibilities and requirements. The Participating Lender should consult specific sections of this Guide and other documentation referenced herein for further detail.

A. Origination

The Participating Lender is responsible for originating, processing, underwriting, closing, post-closing and Interim Servicing all NJHMFA loans in accordance with all Applicable Laws and the rules and regulations promulgated thereunder, the Terms Sheets, guidelines and procedures stated in this Participating Lender's Guide, NJHMFA Lender Bulletins, the appropriate insurer requirements, and all regulatory requirements of the CFPB, the State, and, if applicable, the Participating Lender's Federal prudential regulator.

B. Application/Customer Information

Participating Lender staff is to be knowledgeable of NJHMFA programs and guidelines prior to discussing qualifications with loan applicants. Once approved, the Participating Lender's staff is subject to ongoing training as the Agency may provide. The Participating Lender is to provide information to potential applicants concerning NJHMFA loan programs and procedures and requirements. Prior to reserving funds for applicants, the Participating Lender is to assess the applicant's qualifications to determine adherence to program requirements. The Participating Lender is to use standard industry documents except as specified in this Guide.

C. Retention of Third-party Vendors/Subcontracting

Note: ***A list of contact information for any such Third-party Vendors that are currently utilized by the Agency is available in the Summary of Addresses, Clauses and Contacts section of this Guide*.**

1. Outsourcing by NJHMFA:

NJHMFA may outsource certain functions to a third-party vendor, who shall be the Agency's designee. This designee is the NJHMFA's agent and the retention of such a designee shall not release the Participating Lender from their obligations under this guide or the Mortgage Purchase Agreement.

If the Agency has such a designee, that entity will work directly with the Participating Lender in resolving and correcting any file deficiencies; to the extent such are correctable. Funding shall occur only when all deficiencies identified by the Agency or its designee are completely rectified, if possible, or the Agency will not purchase the loan.

The Participating Lender is responsible for ascertaining from the NJHMFA website to whom it should send the Mortgage Loan documents and when. Additional guidance is set forth at Pre-Purchase File Review, below.

2. Outsourcing by Participating Lender:

Prior to outsourcing or subcontracting any duties required for underwriting the Mortgage Loans, the Participating Lender must obtain prior written approval from NJHMFA, provided, however, that the Participating Lender shall remain responsible to NJHMFA for the performance of such subcontracted services as if the Participating Lender had itself performed them.

D. **Loan Reservation**

The Participating Lender is to utilize the Agency's ILRS to reserve qualified mortgage loans for purchase by the Agency. The ILRS allows the Participating Lender to enter required Applicant, Property and Mortgage Loan information and to print related loans forms. The ILRS accepts loans for all Agency Mortgage Loan programs. The Participating Lender is responsible for managing the cancellation and expiration of Mortgage Loan Reservations in accordance with the policies outlined in Chapter 6 of this Guide. In addition, refer to Chapter 6 for specific Lender Portal processes, including reservation commitments, amendments, modifications, and extensions of the Mortgage Loan Reservation.

Participating Lender is hereby advised that all loans must be timely disclosed under CFPB requirements within 3 days of the loan reservation being entered into the IRLS.

The Participating Lender will be trained in the use of the ILRS during the required training noted in Section 1-2, C of this Guide.

E. **Loan Processing**

The Participating Lender is to process loans in accordance with Applicable Law, NJHMFA requirements as set forth herein, and the requirements of Mortgage Loan's insurer/guarantor and submit required documentation as directed on the document checklist.

F. **Underwriting**

The Participating Lender will underwrite Mortgage Loans in accordance with NJHMFA requirements as set forth in this guide, applicable Term Sheets, guidelines, NJHMFA Lender Bulletins and the insurer's and/or guarantor's requirements.

G. **Closing**

The Participating Lender will provide closing instructions to the closing agent. The Participating Lender will review preliminary closing documents for compliance with NJHMFA and the insurer or guarantor's requirements. Participating Lenders with NJHMFA delegated authority will approve documents for closing.

H. **Funding**

Participating Lenders must utilize their own interim funding facility.

NJHMFA will fund a Mortgage Loan only after determining that the Mortgage Loan is eligible for purchase based on the following review methods as otherwise detailed on a programmatic basis.

1. Funding of Loans

Loan funding is a process whereby NJHMFA purchases a note, security instrument and servicing rights from the Participating Lender. Once it has been determined that a loan is acceptable for purchase, NJHMFA will make every effort to fund the purchase within four business days. Loan funding will be conducted via wire transfer.

To compute the amount due to the Participating Lender, the following Items are added or subtracted from the loan amount:

- Accrued interest (calculated on a 360-day basis) from the purchase date through the end of the month will be subtracted from the loan amount if the loan is funded in the same month as the closing.

- If the loan is funded in the month following closing, the interest (calculated on a 360-day basis) to be paid to the Participating Lender will be calculated from the first day of the month (inclusive) to the purchase date and will be added to the loan amount.

- Current escrow balance held by the Participating Lender will be netted from the loan amount.

- All lock extension and late delivery fees will be subtracted from the loan amount. The Participating Lender is responsible for managing the cancellation and expiration of the Mortgage Loan Reservations, in accordance with the policies outlined in Chapter 6 of this Guide.

2. Document Delivery

For Government Insured Loans, HFA Advantage Loans and Down Payment Assistance Loans: Participating Lenders must deliver the properly endorsed original note to NJHMFA.

A copy of the note and the remainder of the loan file must be sent to the Agency's authorized designee. The address for delivery of the purchase package can be found on the appropriate Agency checklist (available on the Agency website) and in the Summary of Addresses, Contacts and Clauses in this Guide. Failure to include all appropriate documentation will result in a delay of funding of your Mortgage Loan.

All government insured, HFA Advantage and DPA loans will be delivered in accordance with the applicable program's checklist. Program checklists can be found on the Agency website. Failure to include all appropriate documentation will result in a delay of funding of your Mortgage Loan.

Note: All checklists require the full closed loan package including any document used to render an underwriting decision.

For PFRS Loans and 100% Financing Loans:
All PFRS loans will be delivered in accordance with the applicable program's checklist. Program checklists can be found on the Agency website. The original note and purchase package must be delivered, reviewed, and purchased no later than the lock expiration date. A copy of the wire instructions is required to be in the Purchase Package.

Note: All checklists require the full closed loan package including any document used to render an underwriting decision.

As a reminder all Notes must be properly endorsed to the Agency as follows:

Note: "Without Recourse" shall not affect the Participating Lender's repurchase obligations as set forth in this Participating Lender's Guide and provided in the Mortgage Purchase Agreement.

Program-specific endorsement language can be found on the applicable checklist and in the Summary of Addresses, Contacts and Clauses available in this Guide.

3. File Order

The Participating Lender must deliver the electronic file as instructed on the applicable NJHMFA Document Checklist, and in the order shown on the applicable NJHMFA Document Checklist. NJHMFA requires all loan files to be fully compliant with all local, State, and Federal requirements. All required disclosures should be submitted with the Purchase Package. Participating Lenders should not submit two-sided copies, duplicate copies, or unexecuted forms.

4. Assignment of Mortgage

An assignment of each Mortgage Loan must be executed and recorded on a Uniform Assignment of Mortgage instrument. A copy of the Assignment of Mortgage in recordable form shall be submitted with the Note. Assignments of Mortgage are NOT to be submitted for recording until such time as the Agency advises the Participating Lender that the subject Loan will be purchased. This will eliminate the necessity of the recording of an additional assignment of Mortgage to return vesting to the Participating Lender should a loan be rejected for purchase.

Program-specific Assignment of Mortgage templates are available for a Participating Lender's use. Using an Agency approved template will reduce the incidents of erroneous or incorrect assignment issues and the delays that may be caused by same.

If a program-specific template is not going to be utilized, the assignment language to NJHMFA should be set forth as follows (this applies to all loans with the exception of PFRS loans):

New Jersey Housing and Mortgage Finance Agency
637 South Clinton Avenue
P.O. Box 18550
Trenton NJ 08650-2850

Any deviations from this language may result in a loan package being rejected for purchase.

For PFRS Loans the Assignment of Mortgage must read as follows:

Police and Firemen's Retirement System Board of Trustees by its Administrative Agent New Jersey Housing and Mortgage Finance Agency

Any deviations from this language may result in a loan package being rejected for purchase. The Assignment of Mortgage should be dated simultaneously with the mortgage.

5. Pre-Purchase File Review

It is incumbent upon the Participating Lender to complete a comprehensive pre-purchase file review prior to submission of the applicable underwriting (credit) package and accompanying purchase package to the Agency or its authorized designee for purchase review.

All checklists are to be completed as required and all documentation is to be provided accordingly. The Participating Lender must stack and forward the documents as directed in each of the checklists.

While it is understood that there may be erroneous omissions of documents or the necessity of the submission of additional documentation by the Participating Lender during the course of the purchase review process, the following 4 critical documents must be present in the Participating Lender's initial purchase review package submission:

- Appraisal

- DU/AUS Findings
- Loan Estimate issued within 3 days of Borrower's application
- Closing Disclosure issued at least 3 days prior to settlement/consummation
- Credit Report
- Initial Escrow Disclosure
- Hazard insurance policy
- Private Mortgage Insurance certificate (if applicable)
- Copy of Note
- Copy of Security Instrument (Mortgage)
- Copy of DPA Note
- Copy of DPA Security Instrument (DPA Mortgage)

If the above critical documents are found to be missing from the initial purchase submission, the purchase review process will be put on hold until such time as the required documents are provided.

Further, The Participating Lender assumes full responsibility for any delays, consequences or liabilities that may arise as a result of the incomplete submission. Further, Participating Lender must also resolve to the Agency's approval, and in the Agency's discretion any additional conditions, or impediments to the purchase that may be caused by Participating Lender's delay in furnishing the required initial exhibits. This includes, but is not limited to, the cure (where available or applicable) of any tolerance issues, or defects to the required disclosures under TRID.

The Agency reserves the right to reject any loan for purchase where the required initial documentation is not furnished within five (5) business days of the Agency's, or its authorized designee's request for same.

All packages must be received by the Agency for purchase review within 7 days of closing but no later than 30 days subsequent to closing. Any loan package received after that time will get automatically rejected for purchase."

The Agency may decline to purchase a loan if documentation errors or omissions are found, potential compliance issues are unresolvable and/or it is determined that the loan may be unsalable into the secondary market.

All loans submitted by the Participating Lender for purchase by the Agency are subject to a full review by the Agency and/or its authorized designee.

The Agency and/or its designee will complete a review of a loan file prior to NJHMFA purchasing the loan.

The Participating Lender must stack and send the documents as directed in the applicable document checklist. **Participating Lenders should expect delays in the completion of the pre-purchase file review as a result of missing and/or inaccurate required or erroneously stacked loan file documentation.**

The Participating Lender must send these documents **at least fifteen (15) business days** prior to expiration of the Loan Reservation or seek extensions on timely basis. **Obtaining the necessary extensions and paying the fees therefor are the sole responsibility of the Participating Lender. Please see Chapter 6 of this Guide for additional information regarding the Loan Reservation extension process.**

I. Sale of Loans to NJHMFA

1. Loan purchase is a process whereby NJHMFA purchases a note and mortgage from a Participating Lender following the closing of the loan and completion of the pre-purchase review and approval process by the Agency's authorized designee.

2. For each loan purchased, NJHMFA will pay to the Participating Lender 100% of the unpaid principal balance of the loan computed as of the date the loan is received for purchase by NJHMFA, less any and all fees due HMFA. At the time of purchase, applicable fees will either be subtracted or added to the purchased principal balance.

3. NJHMFA may consider at its own discretion, purchasing seasoned loans at discount or premium, depending on the loan's meeting the requirements of an Agency program and market conditions.

J. Trailing Documents

1. General

NJHMFA allows for Trailing Documents to be sent after purchase. Since these Trailing Documents are not provided to NJHMFA at the time of loan purchase, it is important for our Participating Lenders to follow up and ensure these documents are delivered in a timely manner and as set forth on the pertinent document checklist. Trailing Documents include, but are not limited to, the following:

a. Original recorded mortgage and any applicable riders or addendums;
b. Original recorded assignment of mortgage and all original recorded intervening assignments, if any;
c. Original final title insurance policy and any required waivers, attorney's opinion, and/or applicable endorsements;
d. MIC, LGC or the USDA insurance certificate;
e. Certified copy of the recorded power of attorney, if any;
f. Servicing Transfer Letter;
g. Recorded Municipal Lien Certificate ("MLC");
h. Resolution of all post-purchase conditions cited by the Agency's authorized designee.

Timely receipt of all Trailing Documents in form and content acceptable to the Agency is a condition subsequent to the Mortgage Loan purchase. All Trailing Documents are required within 90 days of the purchase date. If any Trailing Documents are not received and are aged more than 120 days, NJHMFA may, in its sole discretion, assess the Participating Lender $25 per document per month, or in the alternative, the Participating Lender may have to repurchase the Mortgage Loan.

All Trailing Documents are to be sent directly to the Agency, Participating Lenders should utilize form HMFA 301 - Collateral Document Transmittal and Custodial Certification – for submission of Trailing and Collateral Documentation.

2. Outstanding Documentation Report

A Participating Lender may obtain an outstanding Trailing Document report from the party to whom such documents are to be sent that identifies the final documents that must be received.

3. Requirements for Shipping Trailing Documents

A Participating Lender should ship Trailing Documents immediately upon receipt in order to complete the loan file. Trailing Documents are to be shipped per the instructions on the applicable document checklist to satisfy Agency requirements.

4. Document Recovery

In the instance where the Trailing Documents have been outstanding for more than 120 days from the Purchase Date, NJHMFA has the right to:

- Charge/collect from the Participating Lender a fee of $25, per Trailing Document per month or the actual recovery cost and recorded costs, whichever is greater; and/or,

- Require the Participating Lender to Repurchase the Mortgage Loan.

- NJHMFA will bill Participating Lenders in arrears for outstanding final documents quarterly.

- The Participating Lender is responsible for submitting and following up on all outstanding Trailing Documents.

5. 1098 Reporting
The Participating Lender is responsible for 1098 reporting for all fees paid at closing for Mortgage Loans that are table-funded by the Participating Lender.

6. Obtain Mortgage Insurance
The Participating Lender will submit all necessary documents to the mortgage insurer in compliance with the insurer or guarantor's requirements. The Participating Lender will obtain and submit to NJHMFA the original documents evidencing such MI or guaranty within 90 days of the Closing Date.

1-6: PARTICIPATING LENDER COMPENSATION/FEES

The Participating Lender may not charge discount points and may only collect fees from the Borrower as will meet the "ability to repay" and "qualified mortgage" standards of Regulation Z, notwithstanding any exemption for HFA-administered mortgage programs therein, and as further limited herein.

A. Reimbursement for Costs
The Participating Lender may collect reimbursement for costs actually incurred in the underwriting of the Mortgage Loan, such as: credit reports, appraisals, or flood certification fees applicable.

B. Lender Origination Fee
Lender may charge their standard lender fee for The First-Time Homebuyer, Homeward Bound, HFA Advantage, and PFRS Mortgage Programs, provided that the fee is reasonable and customary. Fees produced by the Lender for these programs may not exceed fees charged by the lender for other loans of similar investor/insurer type, i.e., FHA, VA, USDA. Under no circumstances shall the standard lender fee for the First-Time Homebuyer program exceed $1,350.

C. Service Release Fee

A service release fee will be paid to the Participating Lender by NJHMFA at the time of purchase. This fee will be paid for all NJHMFA Mortgage Loans except PFRS Loans and down payment assistance mortgage loans.

D. Discount Points

Discount points are not allowed.

E. Loan Costs and Other Costs

For all programs, Participating Lenders must disclose customary loan costs and other costs collected that are permitted under CFPB regulations. The CFPB defines loan costs as origination charges, services the consumer cannot shop for and services the consumer can shop for. Origination charges are items the consumer will pay to each creditor and loan originator for originating and extending credit (CFPB 1026.37(f)(1). Services the consumer cannot shop for is defined by the CFPB as items provided by persons other than the creditor or mortgage broker that the consumer cannot shop for and will pay for at settlement (CFPB 1026.37(f)(2). Services the consumer can shop for is defined by the CFPB as items provided by persons other than the creditor or mortgage broker and are services that the consumer can shop for and will pay for at settlement (CFPB 1026.37(f)(3). Other costs are defined by the CFPB as items that are established by government action, determined by standard calculations applied to ongoing fixed costs or based on an obligation incurred by the consumer independently of any requirement imposed by the creditor. The CFPB requires that these are labeled under the subheadings of taxes and other government fees, prepaids, initial escrow payment at closing, and other. Other items that are required to be paid at or before closing pursuant to the contract for sale between the consumer and a seller must be disclosed on the Loan Estimate to the extent the creditor has knowledge of those items when it issues the Loan Estimate (CFPB 1026.37(g)(5).

F. Mortgage Purchase Agreement

The Mortgage Purchase Agreement (or the Agreement) sets forth the requirements for maintaining status as an approved Participating Lender. The agreement also provides terms and conditions of sales of Mortgage Loans to the Agency and incorporates, by reference, the terms of this Participating Lender's Guide. ***Participating Lenders perform origination and selling functions as a principal, not as an agent or representative of NJHMFA.***

G. Breach, Damages and Remedies – refer to specific Chapters of this Guide and the Mortgage Purchase Agreement.

Chapter 2

<u>PARTICIPATING LENDER: OBLIGATIONS AND DUTY TO PERFORM UNDER THE MORTGAGE PURCHASE AGREEMENT AND THE PARTICIPATING LENDER'S GUIDE</u>.

2-1: PARTICIPATING LENDER, REPRESENTATION, WARRANTIES AND COVENANTS

As a condition of approval to originate and accept payment for the Mortgage Loans, the Participating Lender has, and continues to represent, warrant and covenant that:

A. ***The Participating Lender and all of its staff who might originate loans under the Mortgage Purchase Agreement have read and understand this Guide.***

B. The Participating Lender is, and shall continue to be, a corporation, partnership, limited liability company, or other business entity duly organized and validly existing and in good standing under the laws of the jurisdiction under which it was organized, and has the power and authority, corporate and other, to own its properties and carry on its business as now being conducted and is duly qualified to do such business in the State of New Jersey and wherever such qualification is required.

C. The Participating Lender is not subject to any action, suit, proceeding inquiry or investigation, pending or threatened, which, either in one incident or in the aggregate, would be likely to result in any material or adverse change in the business, operations, financial condition, properties, or assets of the Participating Lender, or in any material liability on the part of the Participating Lender, or which would draw into question the validity of the Mortgage Agreement or the Mortgage Loan or of any action taken or to be taken in connection with the obligations of the Participating Lender contemplated herein, or which would be likely to impair materially the ability of the Participating Lender to perform under the terms of the Mortgage Purchase Agreement.

D. The Participating Lender is not under any cease-and-desist order or other order of a similar nature, temporary or permanent, of any Federal or State authority, nor are there any proceedings presently in progress or to its knowledge contemplated which would, if successful, lead to the issuance of any such order.

E. The Participating Lender is a bank or trust company, savings bank, national or State banking association, savings and loan association, or credit union or a mortgage banking firm or mortgage banking corporation, has authority to transact business in the State of New Jersey, and maintains an office in the State where members of the public may go to apply for Mortgage Loans.

F. The Participating Lender is:

1. An approved originator of mortgage loans to and for Fannie Mae and/or Freddie Mac; and/or

2. A "Supervised Lender" as classified by the VA under Section 500(d) of the Servicemen's Readjustment Act: and/or

3. An FHA-approved mortgagee;

4. **a.** If the Participating Lender is a bank or trust company, savings bank, national banking institution, savings and loan association, or credit union, the Participating Lender must maintain an office in the State of New Jersey and be able to demonstrate to the Agency and any Investor, if applicable, that the Participating Lender is in compliance with Title 12 of the United States Code or other acts of government that may be promulgated from time to time with respect to any Federal, State or quasi-governmental agency having appropriate jurisdiction over the Participating Lender's ability to originate Mortgage Loans under the Mortgage Purchase Agreement.

b. If the Participating Lender is a mortgage banker and is owned by or affiliated with an entity that is a bank or trust company, savings bank, national banking institution, savings and loan association, or credit union, then the Participating Lender must maintain an office in the State and be able to demonstrate to the Agency and any Investor, if applicable, that the Participating Lender's owner or affiliated entity is in compliance with Applicable Laws that may be promulgated from time to time with respect to or by any Federal, State or quasi-governmental agency having appropriate jurisdiction over the Participating Lender's ability to originate Mortgage Loans under the Mortgage Purchase Agreement.

c. If at any time during the course of participating in the Agency Mortgage Programs, the Participating Lender fails to meet the above criteria, it must so notify the Agency immediately. The Agency and the Investor, if applicable, will be permitted to take any and all appropriate actions that are consistent with the terms of the Mortgage Purchase Agreement. Failure to immediately notify the Agency and the Investor, if applicable, pursuant to this paragraph will be grounds for **immediate** termination of the Mortgage Purchase Agreement.

d. The Agency, with the consent of any Investor or bond insurer, if applicable, in each entity's sole discretion, may waive or modify certain of the above criteria. However, all Participating Lenders must meet and at all times while participating in Agency Mortgage Programs, be in compliance with requirements above.

G. The Mortgage Purchase Agreement is a valid and binding agreement of the Participating Lender, enforceable according to its terms, the making and performance of which have been duly authorized by all necessary corporate and other action and will not constitute a violation of any law, any requirement imposed by any judicial or arbitral body or governmental instrumentality, or the charter or by-laws of the Participating Lender, or a default under any agreement or instrument by which it is bound or affected.

H. Neither the execution and delivery of the Mortgage Purchase Agreement, the origination and acquisition of the Mortgage Loans by the Participating Lender, the sale of the Mortgage Loans to the Agency or the transactions contemplated hereby, nor the fulfillment of or compliance with the terms and conditions of the Mortgage Purchase Agreement will conflict with or result in a breach of the terms, conditions, or provisions of the Participating Lender's charter or by-laws, or any legal restriction of any agreement or instrument to which the Participating Lender is now a party or by which it is bound, or constitute a default, or result in an acceleration under any of the foregoing, or result in the violation of any law, regulation, order, judgment, or decree to which the Participating Lender or any of its property is subject, or impair the ability of the Agency to enforce any of the Mortgage Loans according to their terms, or impair the value of any of the Mortgage Loans.

I. Neither the making nor performance of the Mortgage Purchase Agreement by the Participating Lender requires the consent or approval of any governmental instrumentality or, if such consent or approval is required, it has been obtained in writing by the Participating Lender and submitted to the Agency prior to the execution of the Mortgage Purchase Agreement.

J. The Participating Lender will not knowingly take any action or permit any action to be taken which would impair the exemption from Federal income taxation on interest on the Agency's Qualified Mortgage Revenue Bonds.

K. The Participating Lender will comply with all procedures in this Guide relating to the acceptance and reporting of Mortgage Loan applications on a first-come first-served basis.

L. The Participating Lender will not sell or assign to the Agency any "covered home loan" or "high-cost home" loan as defined in the New Jersey Home Ownership Security Act of 2002, N.J.S.A. 46:10B-22 or a "high-cost mortgage" as defined under CFPB regulations.

M. Neither the Mortgage Purchase Agreement nor any statement, report, or other document furnished or to be furnished by the Participating Lender pursuant to this Agreement contains any untrue statement of fact or omits a fact necessary to make the statements contained therein not misleading, and, to the best of Participating Lender's knowledge, no statement, report, or other document furnished by any party other than the Participating Lender in connection with this Agreement contains any untrue statement of fact or omits a fact necessary to make the statement contained therein not misleading.

N. The Participating Lender shall comply with all statutes, rules, and regulations applicable to its activities under the Mortgage Purchase Agreement, including without limitation, any rule or regulation of Participating Lender's Federal prudential regulator or, if applicable, the State of New Jersey, Department of Banking and Insurance, or any other regulatory body having jurisdiction over the Participating Lender. At all times, the Participating Lender shall be properly licensed and in compliance with Applicable Laws, registration, and reporting requirements of the State, Federal, or other applicable and relevant authorities governing lending and mortgage related activities, including the CFPB and HUD.

O. The Participating Lender is not subject to federal debarment or suspension for engaging in fraudulent, predatory, or discriminatory lending, or for engaging in redlining activities, and is not under investigation for its lending practices by any State or Federal authority with jurisdiction over the Participating Lender.

P. The Participating Lender is a lending institution that has been approved to participate in any of the Agency's Mortgage Programs described in this Guide.

Q. The Participating Lender does not believe, nor does it have any reason or cause to believe, that it cannot perform each and every covenant contained in the Mortgage Purchase Agreement.

R. The Participating Lender, upon learning that any violation of these provisions has occurred or may occur, shall immediately notify the Agency in writing.

S. The Participating Lender, by execution of the Mortgage Purchase Agreement and by the submission of any bills or invoices for payment, or acceptance of payment pursuant thereto, certifies and represents that it has not violated any of these provisions.

The representations, warranties, and covenants contained in this Section shall be true and correct when made, and by accepting payment for each Mortgage Loan on its respective Purchase Date, the Participating Lender shall be deemed to affirm that these representations, warranties, and covenants remain true and correct as of that Purchase Date and continuing thereafter until the parties have no further obligations under the Mortgage Purchase Agreement for that Mortgage Loan's purchase.

2-2: PARTICIPATING LENDER INTEGRITY, RESPONSIBILITY, AND NONDISCRIMINATION.

As a condition of approval to originate Mortgage Loans and by accepting payment for Mortgage Loans, the Participating Lender has agreed, and continues to agree to the following standards of integrity, responsibility, and non-discrimination:

A. The Participating Lender shall maintain the highest standards of integrity in the performance of the Mortgage Purchase Agreement and shall take no action in violation of State or Federal laws, regulations, or other requirements that govern contracting with the Agency.

B. The Participating Lender shall not discriminate against any Borrower, Co-Signer, or applicant for a Mortgage Loan because of race, color, religious creed, ancestry, handicap, national origin, age, or sex or any other basis protected under the New Jersey Law Against Discrimination.

C. The Participating Lender will not engage in any unfair, deceptive, or abusive acts or practices under State and/or Federal consumer protection laws when accepting applications; dealing with applicants, Borrowers, and/or Co-Signers for Mortgage Loans; and/or in originating the Mortgage Loans.

D. It is the policy of the NJHMFA not to originate, purchase or accept assignment of any predatory loan, and in particular any "covered home loan" or "high-cost home loan" as defined by the New Jersey Home Ownership Security Act of 2002 ("HOSA"), N.J.S.A. 46:10B-22. Therefore, the Participating Lender has represented in the Mortgage Purchase Agreement that it will not sell or assign to the Agency any "covered home loan" or "high-cost home loan" as defined by the HOSA, or a "high-cost mortgage" as defined in CFPB regulations.

E. The Participating Lender shall not disclose to others any **<u>confidential information</u>** gained, from whatever source, by virtue of the Mortgage Purchase Agreement.

F. The Participating Lender shall not, in connection with this or any other agreement with the State and/or the Agency, directly or indirectly, offer, confer, or agree to confer any pecuniary benefit on anyone as consideration for the decision, opinion, recommendation, vote, other exercise of discretion, or violation of a known legal duty by any officer or employee of the State and/or the Agency.

G. Upon request of the Agency; the State of New Jersey, Department of Law and Public Safety; or any other State or Federal governmental entity with regulatory or prosecutorial authority over the Participating Lender and/or the Mortgage Loans, the Participating Lender shall promptly make available for inspection, copying, and auditing, all business and financial records of the Participating Lender of, concerning, and referring to this Agreement, or which are otherwise relevant to the enforcement of these provisions or the Mortgage Loans offered to the Agency hereunder. This right of access will continue for the term of any document retention requirement relating to the Mortgage Loans as required under Applicable Laws, the term of any document retention requirements of any insurer and/or guarantor of the Mortgage Loans, or six years from the date of this Agreement, **whichever is longer.**

H. In order to ensure that all persons meet a standard of responsibility which assures the Agency, the State and its citizens that such persons will both compete and perform honestly in their dealings with the Agency and avoid conflicts of interest, all persons are prohibited from engaging in the following activities:

1. No person shall pay, offer to pay, or agree to pay, either directly or indirectly, any fee, commission, compensation, gift, gratuity, or other thing of value of any kind to any Agency member or employee or to any member of the immediate family, as defined by N.J.S.A. 52:13D–13i, of any such member or employee, or to any partnership, firm, or corporation with which such member, employee or member of their immediate family is employed or associated, or in which such member or employee has an interest within the meaning of N.J.S.A. 52:13D–13g.

2. No person shall, directly or indirectly, undertake any private business, commercial or entrepreneurial relationship with, whether or not pursuant to employment, contract or other agreement, express or implied, or sell any interest in such person to, any Agency member or employee having any duties or responsibilities in connection with the purchase, acquisition or sale of any property or services by or to the Agency. No person shall, directly or indirectly, undertake any private business, commercial or entrepreneurial relationship with, whether or not pursuant to employment, contract or other agreement, express or implied, or sell any interest in such person to any individual, firm or entity with which such member or employee is employed or associated or has an interest within the meaning of N.J.S.A. 52:13D–13g. Any relationships subject to this provision shall be reported in writing forthwith to the Executive Commission on Ethical Standards, which may grant a waiver of this restriction upon application of the member or employee upon a finding that the present or proposed relationship does not present the potential, actuality or appearance of a conflict of interest.

3. No person shall influence, or attempt to influence or cause to be influenced, any Agency member or employee in his official capacity in any manner which might tend to impair the objectivity or independence of judgment of said member or employee.

4. No person shall cause or influence, or attempt to cause or influence, any Agency member or employee to use, or attempt to use, his official position to secure unwarranted privileges or advantages for the person or any other individual or entity.

I. All persons shall report to the Attorney General of New Jersey and the State Ethics Commission the solicitation of such persons of any fee, commission, compensation, gift, gratuity or other thing of value by an Agency member or employee.

J. The prohibited activities in H1 through 4 above shall not be construed to prohibit a person from offering or giving gifts to or contracting with an Agency member or employee, nor be construed to prohibit an Agency member or employee from receiving gifts from or contracting with a person, and shall not be grounds for debarment pursuant to N.J.A.C. 5:80–18.2(a)15, provided that such activities are offered or made under the same terms and conditions that are available to members of the general public and are consistent with any rules promulgated by the State Ethics Commission.

K. For violation of any of the provisions of this Section, the Agency may terminate the Mortgage Purchase Agreement and any other Agreement with the Participating Lender, claim liquidated damages in an amount equal to the value of anything received in breach of these provisions, claim damages for all expenses incurred in obtaining another entity to complete performance hereunder, and debar and/or seek suspension of the Participating Lender from doing business with the Agency. These rights and remedies are cumulative, and the use or nonuse of any one shall not preclude the use of all or any other. These rights and remedies are in addition to those the Agency may have under this Agreement, the Mortgage Purchase Agreement, or under any law, statute, or regulation.

L. The Participating Lender, upon learning that any violation of these provisions has occurred or may occur, shall immediately notify the Agency in writing.

M. The Participating Lender, by execution of the Mortgage Purchase Agreement and by the submission of any bills or invoices for payment, or acceptance of payment pursuant thereto, certifies and represents that it has not violated any of these provisions.

Chapter 3

FIRST MORTGAGE PRODUCTS

3-1: NJHMFA-SPECIFIC GUIDELINES APPLICABLE TO ALL PRODUCTS

Loans must comply with the respective program-specific eligibility criteria set forth in this Participating Lender's Guide as well as all applicable Federal guidelines, depending on the loan type and program (FHA, VA, USDA, Fannie Mae or Freddie Mac). However, following are some universal guidance applicable to all Agency purchase money consumer loans subject to this Guide. **It is the Participating Lender's responsibility to fully read this Guide to ensure that Mortgage Loans are properly underwritten, and Borrowers are properly qualified.**

A. REQUIREMENTS FOR ANY AND ALL GOVERNMENT INSURED/GUARANTEED LOANS (REFER TO EACH PROGRAM FOR ELIGIBILITY WITH THE INSURER/GUARANTOR)

1. FHA Insured Mortgage Loans:

FHA insured Mortgage Loans are eligible for sale to NJHMFA under the NJHMFA First-Time Home Buyer Programs and NJHMFA Homeward Bound Program. These Mortgage Loans must adhere to all applicable FHA underwriting guidelines, as well as all applicable NJHMFA-specific guidelines as contained in this Guide.

The Participating Lender must be approved by HUD as a Title II Supervised or Non-Supervised Mortgagee and must have Direct Endorsement (DE) underwriting authority.

Non-occupant Co-Borrowers are not permitted on FHA insured Mortgage Loans under NJHMFA's First-Time Home Buyer Program, but may be permitted, with certain conditions, under the NJHMFA Homeward Bound Program.

The Agency will purchase both Single Family Dwelling and Multiple Unit Dwelling properties under the FHA 203(b) loan program. The Mortgage Loans must be reviewed and approved by the Participating Lender's Direct Endorsement Underwriter as Mortgage Loans eligible for FHA insurance.

2. USDA Guaranteed Mortgage Loans:

USDA guaranteed Mortgage Loans are eligible for sale to NJHMFA under the NJHMFA First-Time Home Buyer Program and NJHMFA Homeward Bound Program. USDA guaranteed Mortgage Loans must comply with all applicable USDA underwriting guidelines, as well as all applicable NJHMFA-specific guidelines contained in this Guide.

For USDA guaranteed loans, the Participating Lender must be approved by the United States Department of Agriculture (USDA) for underwriting.

3. VA Guaranteed Mortgage Loans:

VA guaranteed Mortgage Loans are eligible for sale to NJHMFA under the NJHMFA First-Time Home Buyer Program and the NJHMFA Homeward Bound Program. These Mortgage Loans must also comply with all applicable VA underwriting guidelines, as well as all applicable NJHMFA-specific guidelines contained in this Guide.

The Participating Lender must have Automatic Authority (also known as Authority to Close Loan on an Automatic Basis) from the VA; this can be a supervised Lender or a Non-Supervised Lender with Automatic Authority. If the Participating Lender is underwriting the appraisal in-house, they must also have Lender Appraisal Processing Program (LAPP) approval. The Notice of Value (NOV) shall be provided to NJHMFA on all VA loans.

B. Subordinate Loans:

A subordinate loan from a government entity is acceptable for down payment, closing cost assistance or rehabilitation as long as the insurer or guarantor of the first Mortgage Loan approves the subordinate loan. Any subordinate mortgage loan offered by an entity other than the Agency must be subordinate to all Agency Mortgage Loans for the Property. The PFRS Mortgage Loan Program has its own subordinate loan guidelines. Please refer to the PFRS section for those requirements.

C. Escrows

Property taxes and insurance (mortgage, homeowners and flood) must be escrowed regardless of LTV.

D. Loan Terms

Each mortgage loan must be for a term of thirty (30) years, at the fixed interest rate specified on the reservation confirmation from the ILRS, with level monthly payment provisions. The thirty-year term is both a minimum and maximum term for Mortgage Loans except for down payment assistance loans and PFRS Mortgage Loan Program Loans. The PFRS Mortgage Loan Program allows for terms less than thirty (30) years with a maximum of thirty (30) years. The down payment assistance loans have a maximum term of five (5) years.

E. Mortgage Amounts

All mortgage amounts must be rounded down to the nearest dollar.

F. Reserves

The Agency requires one (1) month of reserves on all Homebuyer programs. This requirement does not apply to PFRS loans. All loans are required to have one (1) month of reserves of the monthly mortgage payment available as assets in Borrower accounts prior to the Agency issuing an approval. If the GSE/Insurer Guidelines contain more restrictive reserve or source of funds requirements, the more restrictive will prevail.

G. Federal Tax Returns

Borrower's that do not have the required federal tax returns to provide because they are not U.S. citizens, have lived abroad and have not filed must provide evidence that they have not filed using an IRS Verification of Nonfiling Letter (VNF). A VNF will provide proof from the IRS that there no record of a filed tax form (1040, 1040A, or 1040EZ) for the year requested.

3-2: NJHMFA FIRST-TIME HOMEBUYER PROGRAM (MRB Funded – Limited Delegation of Underwriting)

A. Program Overview

Home purchase loans are available to qualifying homebuyers throughout the State of New Jersey under NJHMFA's First-Time Homebuyer Program. Both new and existing homes may be eligible for Agency financing except as otherwise specified in this Guide. Because the NJHMFA intends to use tax-exempt Qualified Mortgage Revenue Bonds (MRB's) to fund loans under the NJHMFA First-Time Homebuyer Program, the loans must comply with certain requirements as set forth by the IRS and as described in this Section.

Monthly Debt to Income Ratio (DTI): The Agency requires that the DTI ratio as calculated in accordance with all Insurer/Investor guidelines not exceed 47.00% for loans in the First-Time Homebuyer Program. Exceptions to DTI are not eligible for this Program.

B. Borrower Eligibility:

All buyers applying for a NJHMFA First-Time Homebuyer Mortgage Loan must complete a Mortgagor's Affidavit (HMFA 300), to acknowledge that they understand the program requirements and to attest that they meet them. The Participating Lender is also required to sign this form to indicate that the Participating Lender explained the form and its meaning to the Borrower.

The Property seller must complete, sign and have notarized the Property Seller's Affidavit (HMFA 161) at closing to verify compliance with the program requirements. E-signatures are not acceptable.

Borrowers are not eligible for NJHMFA DPA if they have ever had a foreclosure or deed in lieu of foreclosure.

DPA is limited to one per person per lifetime. NJHMFA may consider approving a second DPA, at the sole discretion of NJHMFA. A letter of explanation will be required with the reason for DPA consideration. NJHMFA will review for performance history, date of the first loan, type of program, payoff date and circumstances related to the payoff.

The primary eligibility requirements for the NJHMFA First-Time Homebuyer Program are listed below.

1. First-Time Homebuyer:

All Borrowers, co-borrowers, co-mortgagors, non-borrowing spouse and legal Domestic Partners must be first-time homebuyers. Non-occupying co-borrowers are not permitted. A First Time Homebuyer is defined as someone who has not had an ownership interest in (not listed on the deed of) their principal residence during the previous three years.

The first-time homebuyer requirement does not apply if the Borrower is purchasing in a Target Area. Target Areas are indicated on the Agency's website under "Purchase Price and Income Limits List".

Examples of "ownership interests" are:

- A fee simple interest;
- A joint tenancy, tenancy in common or tenancy by the entirety;
- The interest of a tenant-shareholder in a cooperative;
- A life estate;
- The interest of a purchaser under a land contract or installment sales agreement with a term that exceeds 24 months and under which the purchaser takes possession even though legal title is not transferred until some later time;
- An interest held in trust for the person (whether or not created by the person) that would constitute as present ownership interest held directly by the person; or
- An ownership interest in a mobile home or other factory-made housing that was permanently affixed to land owned by the person.

Examples of interests that do not constitute "ownership interests" are:

- Ownership of a mobile/manufactured home on a rented lot;
- A remainder of interest;
- A lease with or without an option to purchase;

- A mere expectancy to inherit an interest in a principal residence;
- The interest that a purchaser of a residence acquires upon the execution of a standard purchase contract, without a right of possession; or
- An ownership interest in other than a principal residence during the previous three (3) years.

2. **Income Limit:**

The Annual Household Income for all borrowers, co-borrowers and co-mortgagors, including non-borrowing spouses and domestic partners, all of which are required to occupy the dwelling within 60 days of the Closing Date, must not exceed the NJHMFA First-Time Homebuyer Program income limit applicable to the property's county. The income limits per county are set forth on the Agency's website. All sources of income must be included when calculating the compliance income on the first mortgage. If income is disclosed on the documentation sent to the agency, NJHMFA will use the income in the income limit calculation unless there is sufficient documentation verifying that the income will not continue in the future.

The total Annual Household Income is to be calculated at the time of application and set forth in the Mortgagor's Affidavit (HMFA 300). If this income increases after the date of application or the loan does not close within four (4) months of application, the income must be re-certified and the Mortgagor's Affidavit (HMFA 300) must have the new income amount written on to the form at the end of Item 4. Annualized Gross Income, and initialed and dated by all Mortgagors who are part of the transaction and the Participating Lender.

If the new Annual Household Income exceeds the Income Limit for the area in which the Property is being purchased, the applicant is **no longer** eligible for the program.

Care must be exercised when determining household size, especially when there is a change between the time of application and closing (for example, if it is determined that more or less people will reside in the property within 60 days from closing). **The Mortgage Loan cannot close under this program if the Borrower no longer meets the income requirements.**

The following sources of income must be included for determining Borrower eligibility against the maximum allowable income, even if the income is not used for qualifying purposes. These income types include, but are not limited to:

- Gross income, before any payroll deductions, of wages, salaries (including consistent part-time, overtime, commissions, fees, bonuses and tips for two (2) years);

- Net income from operation of a business or profession;
- Income from trusts and investments;
- Interest dividends, royalties, net rentals and other net income from real or personal property;
- Periodic payments from the Social Security Administration, annuities, insurance policies, retirement funds, pensions, VA compensation, disability or death benefits and other similar types of periodic payments;
- Payments in lieu of earnings, such as unemployment and disability compensation, sick pay, worker's compensation and severance pay;
- Public assistance income, where payments include amounts specifically designated for shelter and utilities;
- Periodic and determinable allowances, such as alimony and child support, and regular contributions or gifts from persons not residing in the dwelling;
- All regular and special pay and allowances of members of the United States Armed Forces (whether or not living in the dwelling) who are the head of the family or spouse except as set forth below;
- Any employer-related benefit such as a company car (for which a $200 per month amount is assigned), car allowance, etc.; and
- Participating Lenders are to be further guided by the first mortgage insurer's guidelines.

The following can be excluded:

- Casual, sporadic or irregular gifts;
- Amounts that are specifically for reimbursement of medical expenses;
- Lump sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains and settlement for personal or property losses;
- Amounts of education scholarships paid directly to the student or the education institution, and amounts paid by the government to a veteran for use in meeting the costs of tuition, fees, books and equipment, but in any such case, only to the extent used for such purposes;
- Special pay to a serviceman head of family who is away from home and exposed to hostile fire;
- Relocation payments under Title II of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970;
- Foster childcare payments (unless it is included in income used for qualifying);
- Payments received pursuant to participation in ACTION volunteer programs; and

- Income from the employment of children (including foster children) under the age of 18 years.

3. Purchase Price Limit:
The purchase price of the Property cannot exceed the NJHMFA First-Time Homebuyer Program purchase price limit applicable to the property's county. This includes all costs for a complete home and is also known as the Acquisition Cost.

a) New Construction
The First-Time Homebuyer Program does not provide construction financing but may be used to purchase a newly constructed Single Family Dwelling or Multiple Unit Dwelling in a Target Area. However, the dwelling must be habitable by the Closing Date. Note that associated Down Payment Assistance programs may not allow financing on newly constructed properties. In such cases, the more restrictive guideline shall prevail.

b) Purchase Price and LTV Calculations
Refer to the underlying Investor/Insurer Guidelines. Additionally, purchase price and LTV may not exceed maximum limits listed elsewhere in this Guide or on the Agency website.

C. Property Eligibility:

1. The Property must meet the respective guidelines for the type of financing being obtained and according to the Property's characteristics, as set forth in this Guide at Chapter 7.

2. The Property must also satisfy all applicable requirements set forth in this Participating Lender's Guide (e.g., Wood Destroying Insect Certifications, Well Certifications, etc.).

3. The Property must be a Single Family Dwelling, including condominium, co-op, townhouse/PUD, and manufactured or mobile home which is permanently affixed to real property owned by the borrower, that will be the Borrower's primary residence. 2-4-unit dwellings in which the owner uses one unit as his or her primary residence and may rent one or more of the remainder that has been used as a residence for the previous five years are also eligible. Two-unit dwellings located in a Target Area that will be used for residential purposes need not meet the five-year requirement.

4. Mixed use properties, land only, properties with underground oil tanks and condotels are not eligible.

D. Recapture Tax:

A Federal tax known as the "Recapture Tax" became effective for all MRB-funded Mortgage Loans that closed after January 1, 1991. As enacted, a Borrower may be subject to this tax if the home is sold, refinanced, or disposed of within nine years of the purchase. The tax would be payable with the Borrower's Federal Income Tax Return for the year in which the home was disposed of. The maximum tax is 6.25 percent of the mortgage amount or 50 percent of the gain on the sale, whichever is **less.** There are other factors that affect the amount of tax which may be due, including family size and income at the time of the disposition of the Property.

E. No Refinances:

The Mortgage Loan must be a new Mortgage Loan on the Property for the Borrower. Thus, if the Borrower has paid off a previous permanent loan on the Property or is seeking to refinance an existing permanent loan, the Borrower is not eligible for this program. The loan must be made to finance the purchase of the property.

F. Loan Assumptions:

Assumptions are permitted only with the approval of the Agency, acting in its sole discretion, and then, only if all requirements of the applicable sections of the Code, including the income limitation principal residence requirement, and three-year non-homeowner requirement and the purchase price limitations are met with respect to the assumption. The Code also provides for an acceleration of the Mortgage Loan if the mortgagor sells, rents, or otherwise transfers any interest in the property without prior approval of the Agency or fails to occupy the premises as a principal residence.

The Participating Lender must make the Borrower aware that when he or she seeks to sell his or her home, if he or she offers a loan assumption, the household assuming the loan must:

- Occupy the Property as their principal residence;
- Qualify under the "first-time" homeowner or "three (3) year" requirements (except in target areas;
- Purchase the Property at a price that does not exceed the NJHMFA Maximum Purchase Price Limit in effect at the time of the assumption; and
- The amount assumed may not exceed the payoff amount.

When the assumption occurs, the residence is considered to be an existing property for NJHMFA purposes, regardless of the fact that the home was considered new when the Mortgage Loan closed. The Participating Lender must also inform the Borrower that if they allow someone to assume their Mortgage Loan, both the Borrower and the assuming Borrower may be subject to Federal Recapture Tax, if the sale occurs within nine (9) years following the original closing date.

Under no circumstances is the DPA assumable. Any outstanding DPA loan amount must be paid off at time of transfer of ownership.

3-3: NJHMFA HOMEWARD BOUND PROGRAM
(May be sold in secondary market – Full Delegation of Underwriting)

A. Program Overview:

The Homeward Bound Program provides first priority mortgage financing on Mortgage Loans insured by FHA or guaranteed by USDA/VA. Mortgage Loans are underwritten using the guidelines of the respective federal agency providing the insurance/guaranty. NJHMFA does not impose any additional guidelines except as noted in this Guide. A Mortgage Loan under this program may be provided to a new homeowner or for a trade up or trade down purchase.

The Homeward Bound Program permits the qualifying income calculation to be used as the compliance income.

DPA is only available for Borrowers in this program who have not had an ownership interest in a principal residence within the last three years from Note date.

B. Borrower Eligibility:

Borrower eligibility is determined by the respective Federal agency guidelines. There are no NJHMFA-specific purchase price limits. Income limits apply when using DPA. See Program Fact Sheet for applicable income limit. Additionally, occupying Borrowers do not have to be First-Time Homebuyers to be eligible for this purchase money mortgage loan unless the purchase transaction will also include NJHMFA DPA. In that case, all occupying Borrowers must meet that standard.

Non-occupying Co-Borrowers are eligible and do not need to meet First-Time Home Buyer definition.

Borrowers are not eligible for NJHMFA DPA if they have ever had a foreclosure or deed in lieu of foreclosure.

DPA is limited to one per person per lifetime. NJHMFA may consider approving a second DPA, at the sole discretion of NJHMFA. A letter of explanation will be required with the reason for DPA consideration. NJHMFA will review for performance history, date of the first loan, type of program, payoff date and circumstances related to the payoff.

C. Property Eligibility:

The Property must meet the respective guidelines for the type of financing being obtained and according to the Property's characteristics, as set forth in this Guide at Chapter 7.

The Property must also meet NJHMFA's guidelines as described in this Participating Lender's Guide (e.g., Wood Destroying Insect Certifications, Well Certifications, etc.).

The Property must be a Single Family Dwelling, including condominium, co-op, townhouse/PUD, and manufactured or mobile home which is permanently affixed to real property owned by the borrower, that will be the Borrower's primary residence or Multiple Unit Dwelling.

Mixed use properties, land only, properties with underground oil tanks and condotels are not eligible.

D. Participating Lender Underwriting and Closing Procedures:

1. Underwriting (Full Delegation):

NJHMFA Homeward Bound Program Mortgage Loans are underwritten, closed and funded according to NJHMFA's standard procedures as outlined in this Participating Lender's Guide and the Mortgage Purchase Agreement. Any exceptions to standard procedures for this program are noted in this Section. These Mortgage Loans must also comply with all applicable requirements of the respective Federal government agency (FHA, USDA or VA).

Use the applicable Checklist Form HMFA 99 for Underwriting File submission.

2. Closing:

Closing documentation must satisfy any requirements of the applicable loan guarantor or insurer and this program's document checklist.

The following NJHMFA-specific documents are NOT to be executed at closing for Homeward Bound Mortgage Loans:

- Mortgagor's/Seller's Affidavit (HMFA 300);
- Property Seller's Affidavit (HMFA 161);

- Recapture Tax Notice (HMFA 520);
- Loan Reservation Acknowledgment (HMFA 306);
- 1-4 Family Tax Exempt Financing Rider (HMFA 612); and
- Condo Warranty (FMFA 0016)

3-4: NJHMFA STAY AT HOME PROGRAM
<u>Program currently suspended and not available for use.</u>

3-5: POLICE AND FIREMEN'S RETIREMENT SYSTEM (PFRS) MORTGAGE LOAN PROGRAM (Full Delegation of Underwriting)
At this time, refinance eligibility has been suspended.

Program Overview:
The PFRS Program is available to members of the PFRS who are also First-Time Home Buyers, trade-up or trade-down buyers.
This program is subject to funding availability as determined by the Board of Trustees of the PFRS.

A. Participating Lender Qualifications and Requirements:

1. Participating Lender Compensation-Origination:
In addition to the Participating Lender's standard lender fee, Borrowers will be charged a flat fee of $1,500.

Up to one-half of this origination fee may be collected from the Borrower by the Lender at the time of Mortgage Loan application. The balance of the Participating Lender's fee, plus the NJHMFA's administrative fee of $325, will be collected by the Participating Lender at closing. Fees shall be appropriately characterized, e.g., "application," "commitment," "administrative," etc., as required by Applicable Law.

The portion of the fee paid at the time of application is non-refundable unless the Mortgage Loan is denied for credit or Property reasons. If the applicant cancels the Mortgage Loan application for any other reason, the Participating Lender may retain the fee collected at the time of application, subject to Applicable Law. Mortgage Loan reservations that go beyond 180 days may be automatically canceled and the Participating Lender will be required to pay a $250 cancellation fee to the Agency. Mortgage Loans which are reserved under a new rate are not subject to the cancellation fee if canceled before 180 days, and for reasons other than credit or property deficiencies.

PFRS monthly servicing fee to be included in monthly payment as disclosed to borrowers and reflected on the first payment letter and their pay history.

B. Program Requirements

1. Underwriting (Full Delegation):

All PFRS Mortgage Loans are to be underwritten by the Participating Lender according to Fannie Mae standards, the Mortgage Purchase Agreement, and this Guide.

2. Rate/Term:

a. Fixed rate maximum 30-year mortgage (on a case-by-case basis, the term may be lower, but in all events, the rate will be fixed).

b. Rates are set twice a year, on February 15 and August 15. The rates are in the ILRS.

3. Mortgage Loan Reservations:

All loans must be reserved within five (5) business days of the Participating Lender's receipt of the Mortgage Loan application. Reservations are to be made on-line through the Internet Loan Reservation System.

a. The interest rate for each Borrower will be set at the time of loan reservation. For an existing home, this rate will be locked for 180 days, subject to reservation and timely renewal at the Participating Lender's expense, as set forth in Chapter 6.

b. For new construction, the Mortgage Loan will be reserved for 270 days.

c. Each of these rates will expire under the deadlines set forth above unless the Participating Lender obtains extensions prior to expiration, if permitted by this Guide.

d. If an extension of the existing rate is necessary and permitted, there will be a $250 extension fee charged on the Mortgage Loan and the Mortgage Loan will be re-reserved at the applied rate (subject to the availability of funds). An extension will be for 30 days from the existing expiration date applied upon the receipt of the $250 fee; multiple 30-day extensions may be timely obtained by the Participating Lender for additional $250 extension fees (subject to availability of funds). Any extension fees incurred shall be paid by the Lender and the Lender may pass the fee on to the borrower. This must be a flat fee of $250 and not charged in points.

If an interest rate change is requested and permitted, there will be a $250 fee charged on the existing mortgage loan due at the time of the rate change. The interest rate change will not change the loan's expiration date. Any interest rate change fee incurred may be paid by the Lender or the Lender may pass the fee on to the borrower. This must be a flat fee of $250 and not charged in points.

Lender to provide prior Change of Circumstance (COC) with a revised Loan Estimate or preliminary CD listing the rate extension fee in Section A-Origination Charges.

e. A PFRS Mortgage Loan can only be amended or cancelled pursuant to the process set forth in Chapter 6.

4. Use of Funds:

This program does not provide construction financing. Funds may be used by eligible Borrowers to:

a. Acquire an existing or newly constructed a one- or two-family residential property.

5. Borrower Eligibility:

a. Any member of the Police and Firemen's Retirement System, with at least one year of creditable service and who, at the time of application was employed by the State, a county or municipal government or other political subdivision of the State.

b. Employee eligibility will be documented with the Verification of Employment (VOE). Employers will be required to sign an eligibility certification on the VOE.

6. Occupancy Requirement:

a. Any member receiving a PFRS Mortgage Loan must occupy the residence as their principal dwelling within 120 days of loan closing.

b. Any member receiving a PFRS Mortgage Loan must occupy the residence as their principle dwelling for the life of the Mortgage Loan.

7. Property Eligibility:

a. Properties located in the State of New Jersey.

b. Condominium units with down payment of five percent or more. The Condominium project must be Fannie Mae approved.

c. One- and two-family structures on a single tax lot that are ready for occupancy.

8. Loan Amount Limits:

a. The maximum Mortgage Loan amount is as determined by Fannie Mae's general loan limits (not including limits for high-cost areas).

C. Loan Processing and Underwriting:

1. The Participating Lender is responsible for the processing and underwriting of these Mortgage Loans. Approvals must follow Fannie Mae DU guidelines. The Mortgage Loan must have an Approve/Eligible recommendation. Participating Lenders are responsible to clear the DU conditions prior to loan submission to the NJHMFA. All other DU recommendations are not eligible. The NJHMFA will not provide prior approvals. The Participating Lender must:

a. Verify the eligibility of each Borrower through an addendum to the VOE. Verification from the employer is good for four (4) months. If the Mortgage Loan does not close within four (4) months of the date of the employer verification, the Participating Lender must secure a new employer certification. There is no flexibility on this certification.

b. Attach the form for verification of membership in the 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.

c. Submit complete federal tax returns signed and dated with all pages and schedules for a minimum of one (1) year, for income qualifying purposes. Agency requirement would defer to the AUS (Automated Underwriting System) findings if those findings require more than one (1) year.

d. Borrower's that do not have the required federal tax returns to provide because they are not U.S. citizens, have lived abroad and have not filed must provide evidence that they have not filed using an IRS Verification of Nonfiling Letter (VNF). A VNF will provide proof from the IRS that there no record of a filed tax form (1040, 1040A, or 1040EZ) for the year requested.

e. Make all disclosures as and when required under Applicable Law.

f. The maximum allowable Loan to Value is 85%.

- Ensure that all Mortgage Loans with LTV ratios in excess of 80.0% have the appropriate private mortgage insurance. Coverage is required to meet the levels provided in the AUS findings.
- Loans with LTV of 80.0% or less are not required to carry mortgage insurance.
- Private Mortgage Insurance companies must be Fannie Mae-approved.

g. Ensure that the appropriate loan insurer approves all condominium projects and that documentation of this approval is contained in the loan file.

h. Obtain an appraisal, containing a written certification signed by two persons from the same appraisal company that shall set forth 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 Mortgage Loan ineligible for purchase.

2. Secondary Financing:

a. Secondary financing **is allowed** on purchase money Mortgage Loans as per Fannie Mae Guidelines. Such financing must be subordinate to the Agency's Mortgage Loan. NJHMFA DPA (including Smart Start and HomeSeeker) cannot be used with the PFRS Loan Program.

b. Secondary Financing **is not allowed** on refinance Mortgage Loans.

D. Loan Purchase:

1. Participating Lenders are required to have the Purchase Package to the NJHMFA within 21 days of loan closing for purchases.

2. Upon receipt of the Purchase Package, the NJHMFA may proceed with the purchase of the loan. Incomplete or mis-ordered Purchase Packages will be returned to the Participating Lender. The Participating Lender must allow up to 14 working days for the review of and decision on the purchase.

3. The NJHMFA will purchase all Mortgage Loans at 100% of the unpaid principal balance plus accrued interest.

4. All Mortgage Loans must be current at the time of purchase.

5. Mortgage loan packages received for audit will be purchased and funds disbursed within three (3) business days pending an accurate payment history and purchase authorization. Reference GSE/Insurer guidelines for payment history requirements.

E. Servicing:
The NJHMFA has contracted with a sub-servicer to service all of these Mortgage Loans.

F. Final Documents:
Participating Lenders have 120 days to submit final documents to the NJHMFA.

G. 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.

3-6: NJHMFA 100% FINANCING PROGRAM
(NJHMFA Originated - Not available for Participating Lenders)

A. Program Overview:

1. **Mortgage Loan Maturity**:
   30 Year Maximum Term.

2. **Purchase Price Limits**:
   Purchase price limits exist for both statewide and Target Areas. See the purchase price/income limit terms sheet on the Agency's website under "Purchase Price and Income Limits List".

3. **Charges to the Borrower**:
   Borrowers will be charged an application fee when the application is taken. This fee will cover actual costs of third-party services for the credit report(s), appraisal, flood certification, tax servicing fee, and other third-party expenses actually incurred during processing.

4. **Down Payment Requirement**:
   The Borrower will be able to finance the full sales price if the LTV does not exceed 100%.

   The Loan-to-value percentage is the unpaid balance of the mortgage principal to the appraised value or sale price (whichever is lower) of the Property.

5. **Closing Costs:**
Borrower may finance closing costs if the LTV does exceed the specified appraised market value. Such financing must be subordinate to this Mortgage Loan and may be provided through a down payment assistance loan. The Borrower must have funds to cover Escrows required at closing.

B. **Borrower Eligibility:**
The NJHMFA 100% Financing Program is available to individuals only. Corporations are not permitted to act as borrowers. Borrowers must be First-Time Homebuyers. Borrowers purchasing properties located in Target Areas do not have to be first-time homebuyers; however, at the time of loan closing, no other residential properties may be owned. To see what areas in New Jersey are designated as Target Areas, please visit the Agency's website.

1. **Income Guidelines:**
Borrowers must meet the guidelines as listed on the Agency's website.

The annual gross household income may not exceed the income limit set for the areas in which the mortgagor is purchasing. Income limit is determined by family size as well as area of purchase.

2. **Home Buyer Education**:
Borrowers must participate in home ownership and personal finance counseling/education sessions sponsored by the NJHMFA. Borrowers must be issued a completion certificate after the counseling is completed and provide the certificate to Agency Staff.

a. The Borrowers are required to attend three (3) counseling sessions. Two (2) pre-purchase sessions must be completed before the Closing Date is scheduled.

b. NJHMFA will direct Borrowers to their post-closing session approximately two to three months after closing has occurred.

c. The counseling agency will be compensated by the NJHMFA and will certify to the NJHMFA that the applicant has successfully completed the required sessions. The Housing Certificate must be issued less than one one (1) year prior to the closing date.

3. **Previous Foreclosure**:

Applicants who have been a defendant mortgagor in a mortgage foreclosure proceeding should be subject to current FNMA underwriting guidelines. Participating Lenders are to refer to the Fannie Mae Selling Guide for the applicable eligibility guidelines.

C. Property Eligibility:

THIS PROGRAM IS CURRENTLY LIMITED TO PROJECTS FINANCED UNDER THE AGENCY'S CHOICE PROGRAM.

1. Subsidized housing units in Agency-approved projects.

2. Units can be existing or newly constructed properties.

3. The Property must be owner occupied within 60 days of closing.

D. Underwriting Requirements and Procedures:

1. Properties must be located in one of the NJHMFA's approved projects. All Mortgage Loans are originated, processed and underwritten according to the requirements specified in the First-Time Homebuyer Program with the following exceptions:

a. Applicants at the time of Mortgage Loan application must provide evidence of the greater of $800 or the required prepaid escrows as their own assets, plus the required application fee.

b. Qualifying ratios for all 100% Program Mortgage Loans are 28/36 unless:

- The applicant is making a down payment toward the purchase of the Property of at least 10% and these funds are from their own assets;
- applicant has demonstrated an ability to devote a greater portion of income to basic needs like housing expenses, which means rent for the previous 12 months is equal to or greater than the proposed housing expense;
- applicant has accumulated savings of at least six (6) months PITI remaining after closing AND maintained a good credit history; or
- applicant is debt free.

2. Originations:

The NJHMFA 100% Financing Program is limited to NJHMFA origination and the Mortgage Loans will be underwritten by Agency Staff and signed by the Underwriter, Underwriting Manager, Underwriting Supervisor, Director or Assistant Director of Single Family, and any Chief or the Executive Director. Approvals must follow Fannie Mae guidelines.

3-7: NJHMFA HFA ADVANTAGE LOAN PROGRAM

(May be sold on secondary market – Full Delegation of Underwriting, all loans submitted to NJHMFA for pre-closing compliance review.)

A. Program Overview:

The Freddie Mac HFA Advantage Mortgage is a conventional mortgage loan product, offering affordable mortgage insurance and low down-payment requirements to credit worthy borrowers. The HFA Advantage Mortgage product is available to purchase a primary residence located anywhere within the State of New Jersey.

With the exception of any requirements or limitations listed below, the program lenders are to refer to Freddie Mac HFA Advantage guidelines for program related questions

B. Borrower Eligibility:

1. Borrowers must be individuals; Corporate entities are not allowed to utilize the HFA Advantage program.

2. Borrowers are <u>not</u> required to be First-Time Homebuyers to use the HFA Advantage program. Borrowers seeking to use Smart Start must also meet the requirements of the DPA program, which includes a First-Time Homebuyer requirement.

Borrowers using the HFA Advantage first-mortgage program may complete the Freddie Mac CreditSmart Homebuyer U Counseling Program and provide the Homebuyer U Certificate of Completion in lieu of using a HUD-approved housing counseling agency.

3. Borrowers must have a minimum representative credit score of 620.

4. The primary borrower must occupy the mortgaged premises as their primary residence. No person can be a non-occupant co-borrower on more than two (2) NJHMFA mortgage loans. Occupancy must meet the underlying insurer/investor requirements if more restrictive.

5. Non-occupying Co-Borrowers are eligible and do not need to meet First Time Home Buyer definition.

6. Borrowers are not eligible for NJHMFA DPA if they have ever had a foreclosure or deed in lieu of foreclosure.

   DPA is limited to one per person per lifetime. NJHMFA may consider approving a second DPA, at the sole discretion of NJHMFA. A letter of explanation will be required with the reason for DPA consideration. NJHMFA will review for performance history, date of the first loan, type of program, payoff date and circumstances related to the payoff.

7. The HFA Advantage Program requires the qualifying income calculation as compliance income.

C. Property Eligibility

1. Property must be a new or existing single-unit home, manufactured home, condominium, PUD or Multiple Unit Dwelling.
   a. Co-ops are ineligible.
   b. Borrowers seeking to use HMFA DPA funds must also meet the property requirements of the DPA program.
   c. For Multiple Unit Dwellings, buyers must complete Landlord Homebuyer Education, as required by Freddie Mac.

2. Property must be maintained as all Borrowers' primary place of residence.

D. Mortgage Product Requirement

1. Fixed rate, conventional mortgage with a maximum term of thirty (30) years.

2. Refinances are not allowed.

3. Mortgage Insurance: Required monthly payment or single payment mortgage insurance amounts are determined by Freddie Mac. HFA Advantage Conventional Loans with a Loan-to-Value greater than 80% must carry mortgage insurance that meets Freddie Mac's requirements, from a Freddie Mac approved mortgage insurer.

4. Minimum coverage is determined by Freddie Mac and is subject to change. Minimum coverage is reduced for loans at or below 80% of Freddie Mac's calculated Area Median Income for the county.

5. FHA, VA and USDA loans are not eligible for this program.

6. High balance loans are not permitted.

E. Income Limits

1. Income limits are determined on an annual basis and will be posted by the Agency on its website, via Lender Bulletin.

F. Underwriting Eligibility

1. HFA Advantage loans do not have a specified maximum monthly housing expense (front-end) ratio.
2. Maximum Back-End Debt-to Income Ratio of 50%.
3. Maximum Loan-to-Value of 97%.
4. Maximum Combined Loan-to-Value of 105%.
5. AUS Results: Loans must score as "Accept/Eligible" in Freddie Mac's Loan Product Advisor (LPA). Manually underwritten loans are not permissible. Loans scored through other AUS systems are not permissible.
6. Non-borrower household Income should not be included when calculating qualifying income or the income maximum used for eligibility.
7. Must meet the GSE/Investor requirements if more restrictive.

Borrowers seeking to utilize HMFA DPA funds must also meet the requirements of the DPA program as well as any HFA Advantage requirements including income and purchase price limits. The most restrictive limit is the governing requirement.

Chapter 4

HOMEBUYER ASSISTANCE PROGRAMS

4-1: SMART START PROGRAM

A. PROGRAM OVERVIEW:

The Smart Start Program will provide an incentive to qualified homebuyers to purchase a primary residence in the State of New Jersey.

Smart Start loans are only available to eligible homebuyers who obtain first mortgage financing through one of the New Jersey Housing and Mortgage Finance Agency's ("NJHMFA") Single Family mortgage programs.

Smart Start may not be used with the PFRS mortgage program.

1. AVAILABLE FUNDS:
As allocated by NJHMFA.

2. LOAN TERMS:

a. The Agency will make a Smart Start down payment and/or closing cost loan in an amount of $10,000, or $15,000, depending on the county of the property being financed.

County List	Amount of Smart Start loan
Bergen, Essex, Hudson, Hunterdon, Mercer, Middlesex, Monmouth, Morris, Ocean, Passaic, Somerset, Union	$15,000.00
Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, Salem, Sussex, Warren	$10,000.00

b. The interest rate on the Smart Start loan is 0% for a five (5) year forgivable term.

c. 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.

d. 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 Mortgage Loan, the loan will be deemed satisfied and a cancellation of mortgage/release of lien will be issued to the Borrower. If the Borrower conveys refinances or ceases to occupy the premises as their principal residence, all of the unforgiven loan funds will be due and payable from net equity proceeds.

e. Agency loan proceeds shall not in any circumstance be used to pay down, reduce or satisfy indebtedness in order to qualify, obtain or secure an NJHMFA mortgage loan product.

B. BORROWER ELIGIBILITY:

Borrowers must qualify and meet all the requirements for an Agency first mortgage loan originated through a Participating Lender. All occupying Borrowers must be a First-Time Homebuyer, Borrowers must meet the minimum FICO score and debt-to-income (DTI) rules as listed in this Guide. (See Chapter 5 for Agency underwriting parameters.)
The Borrowers must satisfy all requirements below:

1. Income Limits:

Income limits and eligibility are determined using the applicable first mortgage program guidelines located in Chapter 3 of this Guide.

2. Credit Score:

Minimum representative score of 620, as calculated by first mortgage Insurer/Investor guidelines.

3. Purchase Price Limits:

The property must not exceed the maximum purchase price limit in all counties for existing one-family dwellings or for existing two to four family dwellings. These limits may be found on the program Fact Sheet.

4. Asset Limits:

- Borrowers with liquid assets in excess of 20% of the sales price are not eligible for DPA. Liquid assets would include all cash equivalents, gift funds, and investments (including stocks, bonds, and mutual funds) held outside of a qualified retirement plan. The following are not considered liquid assets: 401ks; IRAs and similar retirement accounts/assets; and 529 tuition savings plans. Non-occupant co-borrower assets are not included in the calculation, unless also held in the occupying borrower's name. Exclude business assets marked in business accounts from calculation, unless those assets are being used towards the home purchase.

5. Cryptocurrency:

- Cryptocurrency must be included in the asset test unless it is part of a qualified retirement account.

6. **Gifts of Equity:**
The Smart Start DPA does not permit gifts of equity exceeding 3% of the sales price.

7. **Property Eligibility:**
The property must be a single-family home, condominium, townhome, manufactured or mobile home which is permanently affixed to real property owned by the Borrower, in accordance with investor/insurer guidelines, or a Multiple Unit Dwelling. New construction is allowable for DPA statewide.

8. **Housing Counseling:**
All occupying Borrowers must receive housing counseling through a HUD approved housing counseling agency or HUD approved intermediary. Once completed, a Homebuyer Education Certificate is issued to the Borrower. This certificate is required in the loan closing package. HUD counseling agencies may charge a reasonable and customary fee to provide homebuyer education. All counseling fees are the responsibility of the Borrower.

Exception: Borrowers using the HFA Advantage first-mortgage program may complete the FreddieMac CreditSmart Homebuyer U Counseling Program and provide the Homebuyer U Certificate of Completion in lieu of using a HUD-approved housing counseling agency.

The Housing Certificate must be issued less than one (1) year prior to the closing date.

9. **Underwriting:**
Loans are underwritten in accordance with all applicable requirements of the Agency first-priority purchase money Mortgage Loan for which the Borrower has applied. All loans are underwritten prior to closing by the Agency.

10. **Non-occupant Co-borrowers:**
Non occupant co-borrowers are permitted, provided all first mortgage and Smart Start DPA rules are met, and the underlying investor/insurer rules are met. They do not need to meet the First Time Home Buyer definition.

11. **Prior DPA Usage & Prior Mortgage Delinquency:**
Borrowers are not eligible for NJHMFA DPA if they have ever had a foreclosure or deed in lieu of foreclosure.

DPA is limited to one per person per lifetime. NJHMFA may consider approving a second DPA, at the sole discretion of NJHMFA. A letter of explanation will be required with the reason for DPA consideration. NJHMFA will review for performance history, date of the first loan, type of program, payoff date and circumstances related to the payoff.

12. Down Payment Assistance (DPA) Usage:

A. Eligible use of DPA includes the following:

a. Down payment
b. Customary borrower closing cost
c. Taxes and Insurance
   - ✓ Only escrowed or prepaid

B Ineligible uses of DPA include but are not limited to:

d. Appraisal shortfall.
e. Customary Seller closing cost.
f. Payment of debts to qualify.
g. Payment of Buyer or Seller transaction related debts or unrelated debt.
h. Property repairs or upgrades (i.e., well and septic).
i. Real Estate Commissions. NHMFA will continue to evaluate the ongoing industry changes to buyer real estate commissions.

C. CLOSING THE SMART START LOAN:

Smart Start Loans are closed simultaneously with the accompanying Agency first Mortgage Loan and funded when purchase is authorized on the first Mortgage Loan. If the Agency does not purchase the first Mortgage Loan, the Smart Start Loan will, likewise, not be funded. If there is a repurchase demand on the first Mortgage Loan under the Mortgage Purchase Agreement or this Guide, the Agency may also demand refund of all Smart Start monies in that transaction.

Participating Lenders are required to verify that all Borrower names appear in exactly the same manner on the Smart Start Mortgage and Note as set forth on the Mortgage, Note and related loan documents for the accompanying first Mortgage Loan. A discrepancy in Borrower's names may result in a delay in the purchase of not only the Smart Start Loan but the First Mortgage Loan.

Forms, Checklists and Instruments applicable to the Smart Start program are available in the Agency website under "Resources for Lenders" and also on the Lender Portal. Participating Lenders are encouraged to utilize these documents for Smart Start Applications made in connection with the Agency's first mortgage products.

Smart Start Notes **are not to be endorsed**. The Smart Start loan is to be closed in the name of the Agency. An erroneous endorsement to the Smart Start Note will create delays in the Agency's ability to purchase not only the Smart Start Loan, but the accompanying first Mortgage Loan. The only instance where an endorsement to the

Smart Start Note would be necessary is in the event that the Smart Start Loan is erroneously closed in the name of the originating Participating Lender.

4-2: SMART START PLUS FIRST-GENERATION PROGRAM

A. PROGRAM OVERVIEW:

The Smart Start Plus First-Generation Program loan amounts are inclusive of the Smart Start DPA loan amounts, and NOT additional amounts.

The Smart Start Plus First-Generation Program provides an incentive to qualified first-generation homebuyers who are also first-time homebuyers to purchase a primary residence in the State of New Jersey.

Smart Start Plus First-Generation Program loans are only available to eligible homebuyers who obtain first mortgage financing through one of the NJHMFA Single Family mortgage programs.

Smart Start Plus First-Generation Program may not be used with the PFRS mortgage program.

Smart Start Plus First-Generation Program may not be used with Homeward Bound or HFA Advantage when the first-time homebuyer requirement is not met.

1. **AVAILABLE FUNDS:**
   As allocated by NJHMFA.

2. **LOAN TERMS:**
   a. The Agency will make a Smart Start Plus First-Generation Program down payment and/or closing cost loan in an amount of seventeen thousand ($17,000,00) or twenty-two thousand ($22,000,00) depending on the county of the property being financed. These amounts already include the **Smart Start dollars.**

County List	**Amount of Smart Start Plus First-Generation Program loan**
Bergen, Essex, Hudson, Hunterdon, Mercer, Middlesex, Monmouth, Morris, Ocean, Passaic, Somerset, Union	$22,000
Atlantic, Burlington, Camden, Cape May, Cumberland, Gloucester, Salem, Sussex, Warren	$17,000

   b. The interest rate on the Smart Start Plus First-Generation Program loan is 0% for a five (5) year forgivable term.

c. 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.

d. 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 Mortgage Loan, the loan will be deemed satisfied and a cancellation of mortgage/release of lien will be issued to the Borrower. If the Borrower conveys refinances or ceases to occupy the premises as their principal residence, all of the unforgiven loan funds will be due and payable from net equity proceeds.

e. Agency loan proceeds shall not in any circumstance be used to pay down, reduce or satisfy indebtedness in order to qualify, obtain or secure an NJHMFA mortgage loan product.

B. BORROWER ELIGIBILITY:

Borrowers must qualify and meet all the requirements for an Agency first mortgage loan originated through a Participating Lender. All occupying Borrowers must be a First Time Homebuyer in addition to meeting the definition of a First-Generation Homebuyer**.** Borrowers must meet the minimum FICO score and debt-to-income (DTI) rules as listed in this Guide. (See Chapter 5 for Agency underwriting parameters.)

For purposes of the Smart Start Plus First-Generation Program, "First-generation homebuyer" means a first-time homebuyer, who is:

1. an individual:

(1) whose parents or legal guardians do not have any present ownership interest in any residential real property in any state or territory of the United States, or outside of the United States;

<u>AND</u>

(2) whose spouse, or domestic partner, and each member of whose household has not, during the 3-year period ending upon acquisition of the eligible home to be acquired using such assistance, had any present ownership interest in any residential real property used as their principal residence in any state or territory of the United States, or outside of the United States;

<u>OR</u>

2. an individual who has at any time been placed in foster care in the State.

The Borrowers must also satisfy all requirements below:

1. Income Limits:

Income limits and eligibility are determined using the applicable first mortgage program guidelines located in Chapter 3 of this Guide.

2. Credit Score:

Minimum representative score of 620 <u>for all borrowers</u>, as calculated by first mortgage Insurer/Investor guidelines.

3. **Purchase Price Limits:**
The property must not exceed the maximum purchase price limit in all counties for existing one-family dwellings or for existing two to four family dwellings, as applicable. These limits may be found on the program Fact Sheet.

4. **Asset Limits:**
   - Borrowers with liquid assets in excess of 20% of the Sales Price are not eligible for DPA. Liquid assets would include all cash equivalents, gift funds, and investments (including stocks, bonds, and mutual funds) held outside of a qualified retirement plan. The following are not considered liquid assets: 401ks; IRAs and similar retirement accounts/assets; and 529 tuition savings plans. Non-occupant co-borrower assets are not included in the calculation, unless also held in the occupying borrower's name. Exclude business assets marked in business accounts from calculation, unless those assets are being used towards the home purchase.

5. **Cryptocurrency:**
   - Cryptocurrency must be included in the asset test unless it is part of a qualified retirement account.

6. **Gifts of Equity:**
The Smart Start Plus First-Generation Program DPA does not permit gifts of equity exceeding 3% of the sales price.

7. **Property Eligibility:**
The property must be a single-family home, condominium, townhome, manufactured or mobile home which is permanently affixed to real property owned by the Borrower, in accordance with investor/insurer guidelines, or a Multiple Unit Dwelling. New construction is allowable for DPA statewide.

8. **Housing Counseling:**
All occupying Borrowers must receive housing counseling through a HUD approved housing counseling agency or HUD approved intermediary. Once completed, a Homebuyer Education Certificate is issued to the Borrower. This certificate is required in the loan closing package. HUD counseling agencies may charge a reasonable and customary fee to provide homebuyer education. All counseling fees are the responsibility of the Borrower. Exception: Borrowers using the HFA Advantage first-mortgage program may complete the Freddie Mac Credit Smart Homebuyer U Counseling Program and provide the Homebuyer U Certificate of Completion in lieu of using a HUD approved housing counseling agency.

The Housing Certificate must be issued less than one (1) year prior to the closing date.

9. Underwriting:
Loans are underwritten in accordance with all applicable requirements of the Agency first-priority purchase money Mortgage Loan for which the Borrower has applied. All loans are underwritten prior to closing by the Agency.

10. Non-occupant Co-borrowers:
Non occupant co-borrowers are permitted, provided all first mortgage and the Smart Start Plus First-Generation Program rules are met, and the underlying investor/insurer rules are met. They do not need to meet the First Time Home Buyer definition.

11. Prior DPA Usage & Prior Mortgage Delinquency:
Borrowers are not eligible for NJHMFA DPA if they have ever had a foreclosure or deed in lieu of foreclosure.

DPA is limited to one per person per lifetime. NJHMFA may consider approving a second DPA, at the sole discretion of NJHMFA. A letter of explanation will be required with the reason for DPA consideration. NJHMFA will review for performance history, date of the first loan, type of program, payoff date and circumstances related to the payoff.

C. LENDER DUE DILIGENCE:
The Lender is required to ensure that borrowers meet the eligibility requirements for the Smart Start Plus First-Generation Program down payment assistance program.
The Lender must:

- Review credit reports for any prior homeownership.
- Review any third-party fraud prevention software tool (Fraud Guard/Mavent) for any prior homeownership.
- Review the URLA for any prior homeownership.

By reserving the Smart Start Plus First-Generation Program down payment assistance, the Lender is certifying to NJHMFA that the Borrowers meets all eligibility requirements for the down payment assistance.

D. DOWN PAYMENT ASSISTANCE (DPA) USAGE:

1. Eligible use of DPA includes the following:
   a. Down payment
   b. Customary borrower closing cost
   c. Taxes and Insurance

- ✓ Only escrowed or prepaid

2. Ineligible uses of DPA include but are not limited to:

d. Appraisal shortfall.
e. Customary Seller closing cost.
f. Payment of debts to qualify.
g. Payment of Buyer or Seller transaction related debts or unrelated debt.
h. Property repairs or upgrades (i.e., well and septic).
i. Real Estate Commissions. NHMFA will continue to evaluate the ongoing industry changes to buyer real estate commissions.

E. CLOSING THE SMART START PLUS FIRST-GENERATION LOAN:

Smart Start Plus First-Generation Loans are closed simultaneously with the accompanying Agency first Mortgage Loan and funded when the purchase is authorized on the first Mortgage Loan. If the Agency does not purchase the first Mortgage Loan, the Smart Start Plus First-Generation Program Loan will, likewise, not be funded. If there is a repurchase demand on the first Mortgage Loan under the Mortgage Purchase Agreement or this Guide, the Agency may also demand a refund of all Smart Start Plus First-Generation Program monies in that transaction.

Participating Lenders are required to verify that all Borrower names appear in exactly the same manner on the Smart Start Plus First-Generation Mortgage and Note as set forth on the Mortgage, Note and related loan documents for the accompanying first Mortgage Loan. A discrepancy in Borrower’s names may result in a delay in the purchase of not only the Smart Start Plus First-Generation Loan but the First Mortgage Loan.

Forms, Checklists and Instruments applicable to the Smart Start program are available in the Agency website under “Resources for Lenders” and also on the Lender Portal. Participating Lenders are encouraged to utilize these documents for Smart Start Plus First-Generation Program Applications made in connection with the Agency’s first mortgage products.

Smart Start Plus First-Generation Notes are not to be endorsed. The Smart Start Plus First-Generation loan is to be closed in the name of the Agency. An erroneous endorsement to the Smart Start Plus First-Generation Note will create delays in the Agency’s ability to purchase not only the Smart Start Plus First-Generation Loan, but the accompanying first Mortgage Loan. The only instance where an endorsement to the Smart Start Plus First-Generation Note would be necessary is in the event that the Smart Start Plus First-Generation Loan is erroneously closed in the name of the originating Participating Lender.

Chapter 5
AGENCY UNDERWRITING PARAMETERS

This Chapter outlines the general underwriting guidelines to be used by a Participating Lender when processing a Mortgage Loan file under Delegated Authority or Limited Delegated Authority. These guidelines are to be applied to all first-priority Mortgage Loans to be submitted to the NJHMFA for Purchase. Additional program-specific underwriting information will also be set forth in this chapter and is also available in the corresponding sections of the Guide wherein the Agency's First Mortgage Products are defined.

The Participating Lender will underwrite Mortgage Loans in accordance with NJHMFA requirements as set forth in this Guide, applicable Term Sheets, guidelines, and the GSE/Insurer's guidelines.

If loan documentation expires prior to closing NJHMFA will re-review the documentation. The repricing or extension policy may apply. Loans may be rejected if updated approval cannot be provided.

5-1 PARTICIPATING LENDER'S GENERAL UNDERWRITING REQUIREMENTS:

A. ORIGINATION:

The Participating Lender is responsible for originating, processing, underwriting, closing, post-closing and Interim Servicing all NJHMFA Mortgage Loans in accordance with all Applicable Laws, the Mortgage Purchase Agreement, this Guide, the applicable Term Sheets and guidelines. The Participating Lender must also satisfy and comply with any requirements or guidelines established by the GSE/Insurer, CFPB, the State, and, if applicable, the Participating Lender's Federal prudential regulator.

B. UNDERWRITING STAFF:

Participating Lender must have an underwriting staff with demonstrated ability and experience in residential mortgage loan origination, processing, underwriting, closing, post-closing, and Interim Servicing at all locations where Agency Mortgage Loans are offered. Lenders that are applying to re-enter the program or have senior management with prior NJHMFA experience must have a proven track record with NJHMFA in all aspects of residential mortgage loan origination. Participating Lenders must provide the Agency with resumes for senior management and any staff for whom Delegated Underwriting status is sought.

C. UNDERWRITING SYSTEMS AND FINDINGS:

1. Automated Underwriting Systems (AUS):

The Agency allows the use of, but does not require, unless otherwise noted by a specific mortgage program in this chapter, the following automated underwriting systems: Fannie Mae's Desktop Underwriter (DU); Freddie Mac's Loan Product Advisor (LPA); Loan Score Card FHA findings and USDA's Guaranteed Underwriting System (GUS).

2. **Findings Reports:**

The Participating Lender is responsible for entering complete and accurate information into the AUS and for submitting the correct findings report to the Agency in the compliance package. If the findings report generates a result of “Approval/Eligible” or “Accept/Eligible” (or the equivalent from one of the other systems) AND the Debt-to-Income ratios do not exceed the parameters set forth in Chapter 5, Section 5-2 (A through D) on page 5-4. NJHMFA will accept the findings as they relate to the credit underwriting review of the file and the Participating Lender need not perform a manual review of the credit (although the Participating Lender is responsible for ensuring that data is verified, accurate, and meets the requirements that apply as a result of the loan type and program; i.e., FHA, VA, USDA, Fannie Mae or Freddie Mac).

Full loan documentation is required. Any reduced documentation within the Findings Report will not be permitted.

D. UNDERWRITING FINDINGS DOCUMENTATION REQUIREMENTS:

The Participating Lender is responsible for ensuring that the Mortgage Loan file and all applicable sub-files, including but not limited to, the Compliance Package and the Purchase Package contain the documentation (where applicable and required) needed to satisfy the findings report.

However, please note that the following documentation is still required regardless of the finding:

- Complete income verification and documentation
- A standard, full interior and exterior appraisal (1004);
- Compliance with any applicable program-specific guidelines and documentation as outlines in this Guide;
- Compliance with any applicable Federal guidelines depending on the loan type (FHA, VA, USDA, Fannie Mae or Freddie Mac);

If the findings report generates a finding of “Refer” or “Caution” (or similar risk classification), the Participating Lender must perform a manual underwriting review of the file, and the loan must meet the applicable underwriting guidelines per the loan type (i.e., FHA, VA, USDA, Fannie Mae or Freddie Mac). If a manual review is required or is chose by the Participating Lender, the loan must meet the applicable program guidelines depending on the program and insurance/guaranty. Note: manual reviews are not permitted under the HFA Advantage and PFRS Mortgage Loan Programs.

E. AGE OF DOCUMENTS:

To determine the maximum age of documents used to make the credit decision, refer to GSE/Insurer guidelines.

F. DISCLOSURES:

Refer to GSE/Insurer guidelines for standard disclosure requirements. A DPA Disclosure must be provided and signed at the time of application. If not provided, the DPA will not be approved. A Final TIL must be provided and signed at closing.

G. FEDERAL TAX RETURNS:

1. First Time Homebuyer validation:

Submit complete federal tax returns signed and dated with all pages and schedules for the most recent three (3) years. HFA Advantage and Homeward Bound do not require three (3) years returns if no DPA is being used.

2. Income qualifying validation:

For self-employed borrowers submit complete federal tax returns signed and dated with all pages and schedules for the most recent two (2) years tax returns regardless of AUS findings.

Borrowers who do not have the required federal tax returns to provide because they are not U.S. citizens, have lived abroad, and have not filed must provide evidence that they have not filed using an IRS Verification of Non-filing Letter (VNF). A VNF will provide proof from the IRS that there is no record of a filed tax form (1040, 1040A, or 1040EZ) for the year requested.

H. Disaster Awareness:

It is the Lender's sole responsibility to be aware of and act upon any mortgage loans impacted by disasters prior to the sale to NJHMFA. Prior to the sale of the loan to NJHMFA, the Lender warrants that the subject property is in marketable condition and that there are no repairs or other damaging conditions to the subject property at the time of sale. Refer to GSE/Insurer Guides for specific requirements.

I. GOVERNMENT PROGRAM GUIDELINES AND APPROVALS:

1. USDA Guaranteed Mortgage Loans:

USDA guaranteed Mortgage Loans are eligible for sale to NJHMFA under the NJHMFA First-Time Home Buyer Program and NJHMFA Homeward Bound Program. USDA guaranteed Mortgage Loans must also comply with all applicable USDA underwriting guidelines, as well as all applicable NJHMFA specific guidelines contained in this Participating Lender's Guide.

For USDA guaranteed loans, the Participating Lender must be approved by the United States Department of Agriculture (USDA) for underwriting. These Mortgage Loans must also comply with all applicable USDA underwriting guidelines (see www.va.gov), as well as all applicable NJHMFA-specific guidelines contained in this Participating Lender's Guide.

2. **VA Guaranteed Mortgage Loans**:
For VA Guaranteed Mortgage Loans, the Participating Lender must have Automatic Authority (also known as Authority to Closing Loan on an Automatic Basis) from the VA; this can be a Supervised Lender or a Non-Supervised Lender with Automatic Authority. If the Participating Lender is underwriting the appraisal in-house, they must also have Lender Appraisal processing Program (LAPP) approval. The Notice of Value (NOV) shall be provided to NJHMFA on all VA loans. These loans must meet all applicable VA requirements.

5-2: CREDIT UNDERWRITING GUIDELINES:

Evaluation by Participating Lender of each Mortgagor's creditworthiness must be done on a case-by-case basis. All standards for determining effective income must be applied to each Mortgagor in the same manner. The following are guidelines to indicate proper considerations in ascertaining that the Mortgagor's creditworthiness is sufficient. These guidelines are not intended as requirements or rules that must apply in all cases; however, the Agency considers them to be sound general principles in underwriting credit.

A. **Monthly Housing Expense-to-Income Ratio**:

The Agency will normally require that monthly housing expense (first mortgage payments plus escrows) not exceed 36% for a conventional loan (with the exception of the HFA Advantage Loan Program), 32% for a USDA guaranteed loan or 40% for FHA insured loans. VA and HFA Advantage loans do not have a specified maximum monthly housing expense ratio.

If Mortgagor is purchasing a condominium or planned unit development ("PUD") unit, the monthly condominium or PUD fee (homeowners' association dues) for common elements/property charges and maintenance, excluding unit utility charges, must be included in the monthly housing expense when calculating the above ratio.

B. **Monthly Debt -to-Income Ratio (DTI):**

The Agency will normally require that the total amount of monthly housing expense (as defined in (a) above), plus all other monthly payments on all other debts, as applicable in accordance with underlying GSE/Investor Guidelines, do not exceed limits set forth below.

- First-Time Homebuyer:
  - FHA – 47%

- VA – 47%
    - USDA – 47%, Guaranteed Underwriting System (GUS) approval required.
- Homeward Bound:
    - FHA – 50%
    - VA- 50%
    - USDA – 50%, Guaranteed Underwriting System (GUS) approval required.
- PFRS and 100% Financing- 45%
- HFA Advantage – 50%.

Loans must meet the above DTI requirement as well as the underlying GSE/Investor DTI limits.

Alimony and child support are considered long term monthly obligations, unless such obligations terminate in less than ten (10) months. Agency loan proceeds shall not in any circumstance be used to pay down, reduce or satisfy indebtedness in order to qualify, obtain or secure an NJHMFA mortgage loan product.

C. Monthly Housing Expense-to-Income and Debt-to-Income Ratio for VA Loans:
The maximum Debt-to-Income Ratio is 50% provided there is sufficient residual income to satisfy the VA regulations. VA does not require a monthly housing expense-to-income ratio. Agency loan proceeds shall not in any circumstance be used to pay down, reduce or satisfy indebtedness in order to qualify, obtain or secure an NJHMFA mortgage loan product.

D. Compensating Factors:
There are many underwriting considerations that justify the use of higher debt-to-income ratios. When such factors exist, the Agency may allow for the use of higher underwriting ratios for mortgage products. Under the First-Time Homebuyer Program, ratio exception requests are not permitted. Exception requests should be submitted to the NJHMFA Underwriting Department prior to the loan closing when exceeding the ratios in the above Sections A., B., and C. is proposed. Lender must provide a copy of the URLA, Credit Report, AUS Findings and 1008 at the time of exception request. In addition, a letter of explanation from the Underwriter describing the need for the exception and the compensating factors must be provided. Anything over 3% would not be considered, below 3% would be evaluated for an exception.

1. A higher monthly housing expense-to income ratio or a higher total obligations-to-income ratio (or both) may be acceptable for Mortgage Loans that have loan-to-value ratios of 90% or less, if the Borrowers:

a. Make a large down payment toward the purchase of the Property;

b. demonstrate an ability to devote a greater portion of income to basic needs like housing expenses;

c. demonstrate an ability to accumulate savings and to maintain a good credit history or a debt-free position;

d. have potential for increased earnings and advancement because of their education or job training, even though they have just entered the job market; and/or

e. retain net worth substantial enough to evidence their ability to repay the Mortgage Loan.

2. In order for the use of higher qualifying ratios to be approved for Mortgage Loans that have loan-to-value ratios above 90%, not only must the Borrowers fall into at least one of the above categories, but also one of the following conditions must exist.

a. Hold financial reserves that can be used to carry the mortgage debt. Part of the savings must be in the form of liquid assets that equal at least two months of PITI payments; or

b. demonstrate an ability to devote a greater portion of their income to housing expenses (but the housing expense for the subject Mortgage Loan should not exceed the Borrowers' previous housing expenses), excellent payment histories on any prior mortgage obligations, and acceptable credit histories;

Participating Lenders must support and document all decisions regarding the underwriting ratios - whether they rely on the above compensating factors or others.

E. Income Assessment, Stable Monthly Income and Other Income Considerations:

The annual income of those occupant Borrowers who will be on the mortgage, note, and/or deed must be calculated to determine if their total income falls within the limits for the program selected and the targeted market area of the subject property. These limits are adjusted annually. The income for compliance may be different than the income for credit underwriting or qualifying.

The First Time Home Buyer Program requires all sources of income when calculating the compliance income on the first mortgage. The Homeward Bound and HFA Advantage Program requires the qualifying income calculation as compliance income.

1. Compliance income:

The annualized gross monthly income for all borrowers and non-borrowing spouses or legal domestic partners verifying all income from all sources.

2. Qualifying income:

All borrower income used in the housing expense to income ratio and debt to income ratio for purposes of the first mortgage.

3. **Stable Monthly Income:**
Refer to the applicable GSE/Insurer guidelines.

4. **Rental Income:**
When using rental income to qualify, refer to applicable GSE/Insurer guidelines. Future rental income on the subject property is not considered part of gross annualized household income for purposes of determining income eligibility under the Code. Affordable housing units sold pursuant to the State's Uniform Housing Affordability Controls or other programs may have different rules for application of rent.

5. **Alimony, Child Support and Maintenance Payments:**
For purposes of qualifying income refer to applicable GSE/Insurer guidelines.
For purposes of maximum income eligibility, refer to Chapter 3 of this Guide.

6. **New Employer:**
Obtain Written Verification of Employment or refer to GSE/Insurer guidelines whichever is more stringent.

F. **Solar Panel Liens:**
Refer to GSE/Insurer guidelines.

G. **Student Loans:**
Refer to GSE/Insurer guidelines.

H. **Verbal Verification of Employment (VOE):** If a borrower has no deferred employment, Lenders must obtain a verbal verification of employment (verbal VOE) for each borrower using employment or self-employment income to qualify.

I. **Tax Abatement:**
Refer to GSE/Insurer guidelines.

J. **Credit Overlays:**

1. Agency loan proceeds shall not in any circumstance be used to pay down, reduce or satisfy indebtedness in order to qualify, obtain or secure an NJHMFA mortgage loan product.

2. Slow Payments Shown on Credit Report. **For manually underwritten loans only**. If Mortgagor has a recent history of slow payments on a previous mortgage(s), the Agency will require a detailed, written explanation. Slow payment of other

debts constituting a pattern of late payments, or a payment pattern which appears to indicate slow payments of debts related to basic needs while prompt payments were made on debts related to less important needs of the Mortgagor and Mortgagor's family, must also be satisfactorily explained.

3. Bankruptcy. The discharge of bankruptcy must have occurred prior to two (2) years before applying for HMFA financing. The Mortgagor must have established a satisfactory credit record in this time period. This applies to Chapter 7 and 13 discharges.

4. Collection Accounts. A Collection Account refers to a Borrower's loan or debt that has been submitted to a collection agency by a creditor. Any collection accounts or liens for debts to the State of New Jersey must be paid in full prior to closing.

a. For collection accounts paid off in full prior to or at loan closing:
If paid prior to application, Participating Lender to provide credit supplement evidencing pay-off;

If paid between application and loan closing, Participating Lender to verify acceptable sources of funds used for payment, and provide credit supplement evidencing payoff;

If the debt is being paid at loan closing, Participating Lender must verify Borrower has sufficient assets to satisfy the outstanding amount using an acceptable source of funds, at the time of loan approval. The full collection amount being paid off must be included on the Closing Disclosure. Verify that the Borrower has made payment arrangements with the creditor with proof of three (3) current and consecutive months of timely payments. Include the monthly payment in the Borrower's DTI even if fewer than 10 months are remaining; or

b. For collection accounts not being paid in full prior to or at closing:
Verify that the Borrower has made payment arrangements with the creditor with proof of three (3) current and consecutive months of timely payments. Include the monthly payment in the borrower's DTI even if fewer than 10 months are remaining; OR

if a payment arrangement is not available, calculate the monthly payment using five (5) percent of the outstanding balance of each collection and include the monthly payment in the Borrower's DTI.

5. Charge Off Accounts. A charge off account does not need to be satisfied, provided the Lender can evidence that the debt has been charged off by the creditor via supplemental credit report and letter of explanation from the borrower. If unable to evidence that the account has been fully charged off. follow the procedure for collection accounts.

If AUS findings require collection or charge-off accounts to be paid, the more restrictive requirement will prevail.

6. Judgments against Borrowers or affecting the Property. Judgments must be paid in full at or prior to the Mortgage Loan closing. Judgments, delinquent accounts or other indebtedness cannot be paid with Agency loan funds.

7. Foreclosure. Applicants who have been a defendant mortgagor in a mortgage foreclosure proceeding are subject to the current Government parameters. Conventional mortgage loans are subject to FNMA or FHLMC Guidelines. Participating Lenders are to refer to Fannie Mae Selling Guide or Freddie Mac Single-Family Seller/Servicer Guide for applicable underwriting criteria. GSE mortgage loans are subject to the respective investor guidelines; FHA Single Family Housing Policy Handbook, VA Lender's Handbook or USDA Handbook.

For any First Time Home Buyer or Homeward Bound loan that is manually underwritten a Borrower may be considered if the proceedings were completed at least five (5) years before the date of application and borrower has established satisfactory payment history on all accounts established after the conclusion of the foreclosure proceedings.

8. Foreclosure of a timeshare property. The deeded interest in a timeshare property can be foreclosed. The Agency considers this real property and therefore, would treat it as a foreclosure.

9. Job Tenure; Change of Residence. Refer to applicable GSE/Insurer guidelines.

10. Cryptocurrency. Documentation requirements must follow GSE/Insurer guidelines. Cryptocurrency is not an eligible asset unless liquidated for U.S. dollars and then may be eligible for down payment, reserves, or closing costs. Cryptocurrency must be included in the asset test unless it is part of a qualified retirement account.

11. Cesspool. The property cannot be sold with a cesspool. It must be upgraded to a septic system.

12. Written Verification of Employment (VOE). All loans require Written Verification of Employment.

13. <u>Return to work after temporary absence</u>. Borrower must return to work prior to agency loan approval. Participating Lender must provide one (1) paystub for one full pay cycle prior to NJHMFA loan approval.

14. <u>Tradelines</u>. A minimum of two (2) tradelines with twelve (12) months of established history is required. The accounts included cannot have been closed more than six (6) months prior to loan application. Rental housing payments are acceptable as a 2nd tradeline if there is one (1) established tradeline on the credit report. Lenders must comply with GSE/Insurer guidelines if more stringent.

15. <u>Federal Taxes</u>. If Federal Taxes have been filed and not due (April 15th or prior), provide proof of payment in full or an IRS installment agreement or additional reserves to cover amount owed (above and beyond one (1) month requirement). After April 15th, evidence may be required that taxes are paid in full or am IRA installment agreement is in place.

5-3: CREDIT REPORT

Each Mortgage Loan must have a written report meeting the following requirements:

A. Credit Score Requirements:

Borrower must have a minimum representative credit score of 620 or higher as reported by TransUnion, Experian and Equifax. If there are less than three reported credit scores, the lowest score will be used. There is no minimum credit score requirement for Mortgage Loans issued under the NJHMFA 100% Financing Program. For PFRS loans, it is acceptable to use the Fannie Mae methodology of determining credit score.

B. Applicability:

The Participating Lender is required to obtain a tri-merge credit report for each Borrower on the loan application who has an individual credit record. The credit report must be based on data provided by the following national credit repositories-Equifax, Experian, or TransUnion. The credit report may be prepared by an independent consumer credit reporting agency or one of the national credit repositories.

C. Required Records:

A tri-merge credit report must include both credit and public record information for each locality in which the Borrower has resided during the most recent two-year period. The credit report must include all discovered credit and legal information that is not considered obsolete under the Fair Credit Reporting Act.

Each credit report must include available public record information, identify the sources of the public records information, and disclose whether any judgments, foreclosures, tax liens, or bankruptcies were discovered (with these adverse items reported in accordance with the Fair Credit Reporting Act).

Public records information must be obtained from two sources, which may include any combination of the following: national repositories of accumulated credit records, direct searches of court records by employees of the Participating Lender or the consumer reporting agency, or record searches made by other public records search firms.

D. Historical Requirements:

Although the Fair Credit Reporting Act currently specifies that credit information is not considered obsolete until after seven years and bankruptcy information, after 10 years, we require only a seven-year history to be reviewed for all credit and public record information.

E. Order and Delivery of the Report:

The credit report must include the name of the party who ordered the credit report. If another party paid for the report, that party's name also must be shown, unless the Participating Lender ordered the report and the billed party has a documented agent of corporate relationship with the Participating Lender. The original credit report must be delivered to the office of the party who requested it, using any means that are acceptable under the Fair Credit Reporting Act or similar regulations-such as sending it through the U.S. Postal Service. The report may be delivered by messenger, over a fax machine, or through other automated means.

F. Incomplete Information, Omissions or Discrepancies:

When the Participating Lender has incomplete information, discovers that the Borrower might not have disclosed all information that should be found in public records, or obtains other information that indicates the possible existence of undisclosed credit records, the Participating Lender must interview the applicant(s) to obtain additional information that is needed to provide an accurate report or perform additional research to verify whether the purported undisclosed records actually exist.

G. Report Aging:

The credit report must not be more than 120 days old on the date the Mortgage Note is signed. When the age of the report is greater than 120 days, the Participating Lender will be required to update the credit report.

5-4: CITIZENSHIP, PERMANENT AND NON-PERMANENT RESIDENTS:

First-Time Homebuyer, Homeward Bound Programs and HFA Advantage Programs: Participating lenders shall refer to GSE/Insurer guidelines regarding citizenship when reviewing applications for approval.

PFRS Program: Participating lenders shall refer to Fannie Mae guidelines regarding citizenship.

5-5: PROGRAM SPECIFIC UNDERWRITING REQUIREMENTS:

Use the applicable form HMFA 99 document checklist for submission of the Underwriting File to the Agency or its authorized designee. Underwriting Files are to be submitted in accordance with the applicable checklist. Please see Appendix I or the Agency's website for program specific documents and checklists.

A. NJHMFA First-Time Homebuyer Mortgage Loan Program:

Agency Staff performs income underwriting and any tax compliance underwriting on these Mortgage Loans. However, the Participating Lender is responsible for gathering all income and credit documentation and verifications for all adults who will be living in the Borrower's primary residence and forwarding that documentation to the Agency. Such documentation must be sent per the applicable document checklist. In addition, the Participating Lender is responsible for performing or obtaining all other underwriting and pre-closing requirements of this Guide.

Note: The First Time Home Buyer Program requires all sources of income to be included within the compliance income calculation.

B. NJHMFA Homeward Bound Program:

NJHMFA Homeward Bound Program Mortgage Loans are underwritten, closed and funded according to NJHMFA's standard procedures as outlined in this Guide and the Mortgage Purchase Agreement. Any exceptions to standard procedures for this program are noted in this section. Mortgage Loans must also comply with the guidelines of the respective Federal government agency insuring or guaranteeing the Mortgage Loan (FHA, USDA or VA).

Note: The Homeward Bound Program allows the qualifying income to be used to determine if the loan meets the income limits.

C. NJHMFA HFA ADVANTAGE LOAN PROGRAM

Participating Lenders are responsible for originating, underwriting and closing HFA Advantage loans according to applicable Agency and Freddie Mac requirements.

1. Lenders may only use Loan Product Advisor (LPA) when underwriting loans and are responsible for clearing all LPA conditions prior to providing loan to Agency for review.
Note: Manual underwrites are currently not allowed in the Agency HFA Advantage Program.

2. Lenders must ensure all loans with LTV of 80% or greater have the appropriate mortgage insurance coverage based on the following guidelines:

Greater than 95% up to and including 97% LTV:	18%
Greater than 90% up to and including 95% LTV:	16%
Greater than 85% up to and including 90% LTV:	12%
Greater than 80% up to and including 85% LTV:	6%

3. Income and Purchase Price Limits are set by Freddie Mac on an annual basis and will be posted on the Agency website.

Note: The HFA Advantage Program allows the qualifying income to be used to determine if the loan meets the income limits.

D. Police and Firemen's Retirement System Mortgage Loan Program (PFRS):

1. The Participating Lender is responsible for the processing and underwriting of these Mortgage Loans. Approvals must follow Fannie Mae DU guidelines. The Mortgage Loan must have an Approve/Eligible recommendation. Participating Lenders are responsible to clear the DU conditions prior to loan submission to the NJHMFA. All other DU recommendations are not eligible. The NJHMFA will not provide prior approvals. The Participating Lender must:

a. Verify the eligibility of each Borrower through an addendum to the Verification of Employment. Verification from the employer is good for four (4) months. If the Mortgage Loan does not close within four (4) months of the date of the employer verification, the Participating Lender must secure a new employer certification. There is no flexibility on this certification.

b. The Participating Lender must attach the form for 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.

c. The Borrower must have one (1) year of creditable service and be actively contributing to the pension plan by the date of loan closing (Note date).

Note: Participating Lending to provide evidence available using most recent copy from the MBOS statement or a current letter from the Pension Board.

d. Make all disclosures as and when required under applicable law.

e. Ensure that all Mortgage Loans with LTV ratios in excess of 80.1% have the appropriate private mortgage insurance. Coverage is required to meet the levels provided in the AUS findings.

i. Loans with LTV of 80.0% or less are not required to carry mortgage insurance.

ii. Private Mortgage Insurance companies must be Fannie Mae approved.

f. Condominium requirements: Must meet Fannie Mae Condominium eligibility standards. Refer to Chapter 3 for additional information.

g. Obtain an appraisal, containing a written certification signed by two persons from the same appraisal company, which shall set forth 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 Mortgage Loan ineligible for purchase.

2. Secondary Financing:

a. Secondary Financing **is allowed** on purchase money Mortgage Loans as per Fannie Mae Guidelines. NJHMFA (including Smart Start and HomeSeeker) cannot be used with the PFRS Loan Program.

E. NJHMFA Stay at Home Program– FHA Insured Streamline Refinance Mortgage Loans:
This program is currently suspended.

F. Stay at Home Program - VA Interest Rate Reduction Refinancing Loan (IRRRL) Guidelines:
This program is currently suspended.

Chapter 6

LOAN RESERVATION POLICY AND LOAN RESERVATION PIPELINE MANAGEMENT

6-1 LOAN RESERVATION POLICY

A. Requirements

1. In all instances, the Participating Lender is required to utilize this loan reservation policy in an ethical and honest manner and under no circumstances can a Participating Lender utilize these procedures in any way to achieve undeserved gain for itself, its staff or customers, or cause NJHMFA to suffer unnecessary losses.

2. A price guaranty is made on the basis of a Mortgage Loan application and a specific Property. In the event that a Mortgage Loan application falls through, that application is null and void except for purposes of carrying Agency fees, rates, and expiration terms forward to the new loan, where applicable. Re-reserved loans for the same borrower and property that have been cancelled or expired for less than sixty (60) days are subject to worse-case pricing. The terms from the previous reservation will apply for the new loan, subject to any applicable extensions and product change rules. If a change of applicants or real property occurs, the subsequent application will be treated as a new Mortgage Loan application to receive a commitment for specific terms as applicable for the loan type. In addition, a new Mortgage Loan number would be assigned to the new Mortgage Loan in the ILRS.

3. The Participating Lender shall reserve Mortgage Loan(s) it intends to sell to NJHMFA after the Participating Lender has satisfactorily received a complete Mortgage Loan application.

4. Having executed a best-efforts loan reservation to lock in the interest rate for the subject Mortgage Loan, the Participating Lender commits to deliver the Mortgage Loan regardless of the market conditions.

5. All of the NJHMFA’s published rates and prices are subject to change without advance notice. Once a Participating Lender is notified that the rate sheet prices are being changed, no Mortgage Loans can be reserved at the previous rate and price.

6. The Mortgage Loan must be delivered to NJHMFA by the reservation expiration date. If a PFRS loan reaches sixty (60) days expired and the closed loan package has not been received by NJHMFA; the loan will be cancelled and subject to repricing per the Pricing Policy in this chapter.

7. If a reservation expires on a Saturday, Sunday or legal holiday, the reservation expiration date will roll forward to the next business day.

8. Escrow waivers are not allowed on Agency loans regardless of loan to value, so Agency rates reflect a loan that is subject to such escrows as part of servicing.

The Participating Lender is only allowed to charge the Borrower an origination fee, as permitted in this Guide and per Applicable Law. The compensation to the Participating Lender will include allowable fees and the premium price paid to the Participating Lender by NJHMFA.

B. Mortgage Loan Reservation Process

1. Reservation of Funds:
To qualify for a reservation of funds, the Applicant must meet the following requirements:

a. On a purchase transaction, the Applicant must provide a bona fide contract of sale executed by both the buyer and the seller of the property. In the case of FHA 203(b) insured loans, the contract must include a mortgage contingency clause and an FHA amendatory clause within the body of the contract or as an addendum.

b. The Borrower/Applicant must submit information to the Participating Lender demonstrating the ability to satisfy the income and other qualifications of the program under which they are applying, subject to the Participating Lender's full underwriting of the Mortgage Loan.

2. Processing the Reservation:
After the Participating Lender has prescreened an Applicant for program eligibility and has taken a Mortgage Loan application, an authorized staff member of Participating Lender shall register the Mortgage Loan via the Lender Portal/ILRS between the hours of 10:00 A.M. and 8:00 P.M. Prevailing Time Monday through Friday (except State and Federal holidays and days NJHMFA is closed for business).

a. In order to reserve funds, Participating Lender will need to access the ILRS with critical information, including but not limited to:

- Name of each applicant
- Property address
- Zip code
- County
- Social Security number(s)

- Sales price
- Mortgage amount
- Target or non-target area
- New or existing property
- Number of units
- Family size
- Monthly income
- Type of loan program (e.g., FHA, VA, USDA, Homeward Bound, Stay at Home, PFRS)

b. A 6-digit loan number will be issued by the ILRS at the time of registration and must appear on the Transmittal Summary form 1008 and all subsequent correspondence regarding the Mortgage Loan. At this time a Reservation Confirmation will be generated by the ILRS. A Reservation Confirmation will be generated for each Mortgage Loan registered in the ILRS. When a down payment assistance loan is registered along with a first mortgage product, two Reservation Confirmations will be provided.

c. Upon the completion of the Reservation process, the Participating Lender will be given the opportunity to print copies of certain program-specific documents related to the Mortgage Loan program(s) under which the reservation has been made.

d. Participating Lender must cancel the loan in the Lender Portal/ILRS or send the Agency a written request to amend or cancel a Mortgage Loan Reservation within one (1) business day of the Participating Lender's learning of the required amendment or that the Mortgage Loan(s) will not proceed under any Agency program.

3. Mortgage Loan Reservations – Timely Registration:

In order for the Agency to monitor the timely distribution of funds, all loans in process must be registered via the ILRS. The Mortgage Loan interest rate will be assigned at the rate in effect at the time of loan registration, regardless of when the application was taken. New disclosures would be required at the time of registration revealing that the rate has been locked if the loan application has a date prior to the registration date and was in a float status.

C. Mortgage Loan Reservation - Confirmations

The loan reservation will be valid for the term of the reserved period, counted in consecutive calendar days, including weekends and holidays. The commitment is effective on the date the Mortgage Loan is reserved until 11:59 p.m. Prevailing Time on the expiration date. Any changes to the loan parameters, including loan amount, must be requested by the Participating Lender in writing and updated by NJHMFA staff. Changes to Mortgage Loan parameters may affect the Mortgage Loan Confirmation and interest rate.

D. Price Guaranty Options

1. New rates will be posted on the NJHMFA ILRS or Agency website at approximately 10:00 a.m. Prevailing Time, Monday through Friday (except State and Federal holidays). However, rates are subject to change without advance notice at any time, so Participating Lenders should consult the Agency ILRS immediately prior to locking a rate on an application. The Agency will issue an email blast to Participating Lenders should the ILRS system be unavailable.

2. Lock reservation can only be accepted through NJHMFA's ILRS.

3. Locks will be accepted between the hours of 10:00 a.m. and 8:00 p.m. Prevailing Time Monday through Friday (except State and Federal holidays and days NJHMFA is closed for business).

4. NJHMFA will notify Participating Lenders of rate and price changes in advance when possible; however, there are circumstances in the market when the Agency's Division of Capital Markets must close the ability to make lock reservations immediately.

5. NJHMFA will provide a reservation confirmation through the ILRS. This printed confirmation is required to be provided in the loan(s) submitted to the Agency for purchase by the Participating Lender.

E. Loan Reservation Options

1. Reservation terms may vary by product; however, generally NJHMFA may offer reservation terms of 30-180 days, with Lender compensation varying according to the term of the Loan Reservation. One notable exception is for PFRS Mortgage Loans, which have a Loan Reservation term of 180 days, or up to 270 days for completion of new construction. For more details on PFRS Mortgage Loans as to Loan Reservation term and extension thereof, please see Chapter 3, Section 3-5; all other aspects of loan reservation for that program are addressed in this Chapter 6.

2. A Loan Reservation will establish the purchase price and the terms of the Mortgage Loan and lock in the interest rate for the Mortgage Loan, subject to the terms and conditions of the Mortgage Purchase Agreement and this Participating Lender's Guide.

3. Best efforts delivery is expected on all reserved Mortgage Loans. The Participating Lender must make every effort to close the Mortgage Loan according to the terms of the Loan Reservation.

4. If the Borrower changes the type of Mortgage Loan requested so that the terms of the Mortgage Loan no longer agree with the terms of the initial Loan Reservation, the Participating Lender must notify NJHMFA within one (1) business day, and the Mortgage Loan will be subject to re-pricing if still qualifying for an Agency Mortgage Loan.

5. Loan delivery to NJHMFA is mandatory on closed Mortgage Loans that are reserved with NJHMFA or the Participating Lender's continued participation in Agency programs may be affected.

6. All loans must be closed, delivered and in purchasable condition by the reservation expiration date or else be subject to extensions, including applicable costs.

F. Policy for Extending Mortgage Loan Reservation Options and/or Repricing of Loans

The Participating Lender is responsible for monitoring its pipeline of reserved Mortgage Loans. Changes to confirmed Loan Reservations may be requested via electronic mail. Extension and/or expiration of a confirmed Loan Reservation may result in a different price or a fee charged at the time of Mortgage Loan purchase. Fees may be cumulative and upon re-pricing, interest rates may be affected.

1. Loan Reservation Extension Policy

a. Prior to a Loan Reservation expiring, the Participating Lender may extend the Loan Reservation through the ILRS by selecting "Extend Commitment" and selecting the applicable extension time frame from among the options offered therein. Any extension fees incurred shall be paid by the Participating Lender and shall not be passed on to the borrower.

b. All programs with the exception of PFRS: When a loan's initial expiration date has expired and the loan is still in process, a 30-day extension will be placed automatically at a price of .375%. If the loan expires after the 30-day extension and is still in process (and has not closed or purchased), the loan will be cancelled. It is the Participating Lender's responsibility to monitor their pipeline and expirations dates.

c. Fees will be netted out of the funding at time of purchase, with the exception of PFRS Mortgage Loans, where the extension fee is required at the time the extension is requested. The following are the extension fees:

Calendar Days	Fee*
1 to 7 days	.125%
8 to 15 days	.25%
16 to 30 days	.375%

**Reservation extensions are subject to availability, and the fees for these extensions may change without notice. The applicable fee will be charged at the rate reflected in the ILRS and as published in the daily email rate notification issued by the Agency to all Participating Lenders at the time the extension is requested.*

d. If the loan is delivered and has deficiencies that the Participating Lender has not cured within 30 days of the delivery expiration date, a fee of .375% will be charged. If the cure period goes beyond the 30 days, the fee will be considered on a case-by-case basis.

See also Chapter 9 Closing the Loan, and Chapter 10 Selling the Loan to NJHMFA For Purchase, for additional details on these processes for Mortgage Loans that have closed and are pending expiration.

2. Mortgage Loans Subject to Re-Pricing

If the Loan has been expired or cancelled for more than 60 days, then the Mortgage Loan is subject to re-pricing at current market pricing. In such case, if the Mortgage Loan has already closed, the Agency will honor the interest rate of the original Loan Reservation as reflected in the executed Mortgage Loan documents, but the loan may be subject to a price reduction. However, if the Mortgage Loan has not yet closed, the Borrower's interest rate will be as then offered by the Agency and the Participating Lender may have to issue new disclosures and re-underwrite the Mortgage Loan to ensure compliance with Applicable Laws and the programmatic requirements.

6-2: LOAN RESERVATION PIPELINE MANAGEMENT

It is the Participating Lender's responsibility to manage their Mortgage Loan reservation submissions in order to maintain the Agency's pipeline integrity. Any changes to the Mortgage Loans reserved with the Agency must be requested in writing to Agency Staff. This includes, but is not limited to, cancellations, changes in estimates, Closing Date, loan status, or the ability of Lender to have the loan purchased by the Agency within the expiration date.

NJHMFA's ability to offer competitive pricing is directly affected by our Participating Lenders' ability to manage their fallout ratio. "Fallout" refers to a Mortgage Loan that is not delivered according to the reservation terms. A fallout occurs when:

- The reservation expires prior to the Agency's purchase of the Mortgage Loan;
- The Mortgage Loan is denied; or

- The Mortgage Loan is withdrawn or otherwise removed from the Agency's pipeline;

Participating Lenders shall notify NJHMFA staff by electronic mail within one (1) business day of determining that a Mortgage Loan has fallen out due to denial or withdrawal.

On a monthly basis, NJHMFA will compute the pull-through rate of delivery for all Participating Lenders. The pull-through rate is measured by the number and the dollar amount of Mortgage Loans purchased by NJHMFA from a Participating Lender, divided by the number and dollar amount of Mortgage Loans reserved by that Participating Lender during the loan reservation period. Pull-through will be closely monitored by NJHMFA and it may impact the Participating Lender's continuing relationship with NJHMFA.

A. NJHMFA Renegotiation and Extension (R&E)

NJHMFA recognizes that as the mortgage market moves, interest rate decreases may create difficulty retaining locked customers. To accommodate the need for Participating Lenders to be able to offer competitive interest rates and the need for NJHMFA to retain rate lock integrity on our pipeline, NJHMFA will permit a rate lock Renegotiation and Extension (R&E) on locked loans. R&E is limited to once per loan, and product eligibility is limited to the Homeward Bound, First-Time Homebuyer and HFA Advantage Programs. Below are some of the highlights; the full process and terms are listed on the NJHMFA Renegotiation and Extension (R&E) Process and Form, available on the Lender Resources Page:

- R&E must be requested by the borrower and may not be solicited by the Participating Lender.
- R&E may only be requested no more than forty (40) days and no less than five (5) business days prior to closing.

B. The Renegotiation and Extension (R&E) Request Form:

- The R&E request must be completed by using the official form found on the Lender Resources and submitted to Sflenders@njhmfa.gov. Renegotiation and Extension Terms: R&E will result in market rate plus one eighth (0.125%) and a reduction to the loan purchase price.
  R&E term and rate details can be found on the R&E Form located on the "Lender Resources" Page.

6-3: POLICY ON PROGRAM CHANGES

- Program change requests should be submitted by the Participating Lender via e-mail to SFLenders@njhmfa.gov;
- For the first program change request on a loan, the rate will be adjusted to the current market rate (higher or lower) for the new program;
- Any subsequent program changes for the same loan will result in a worse-case pricing review, and the loan may be subject to higher interest rates.

- If the loan has not closed at the time the change is made, the borrower will receive the appropriate rate adjustment. If the loan is already closed and is purchasable in the new product, the loan price will be adjusted in order to accommodate the closed loan interest rate.

Chapter 7

PROPERTY GUIDELINES: Standards, Classifications, Reports, Certifications and Inspections

7-1: APPLICABILITY:

At a minimum, Properties must meet the requirements of this chapter.

The Property must be located in the State of New Jersey. Properties must also comply with any and all guidelines of the applicable GSE/Insurer such as Freddie Mac, Fannie Mae, FHA, VA, USDA, a NJHMFA approved mortgage insurance company. If there is a conflict between the NJHMFA and the respective GSE/Insurer, the stricter guideline shall apply.

Due to contextual distinctions and overlap of criteria in this Chapter, the Participating Lender must reference each section of this Chapter with respect to any one criterion in order to ensure that all requirements are met with respect thereto.

7-2: GENERAL PROPERTY STANDARDS:

A. Livability and Marketability:

The Agency's property standards emphasize the present adequacy and long-term livability and marketability of the mortgaged Property. The Property should be structurally sound and functionally adequate to meet the present and foreseeable housing needs of the Borrower. Eligible Properties should be modest in size, style and design and must be habitable as of the Closing Date in compliance with all applicable minimum building and housing codes.

B. Long-Term Security:

To ensure satisfactory long-term security, the Property should be compatible with the surrounding structures in terms of those factors that affect marketability, such as function, design and quality of construction.

C. Private Roads:

When applicable, a Private Road agreement must be included in the Purchase Package and must meet the respective GSE/Insurer's guidelines.

D. Heated Livings Spaces:

All living areas must have a permanently installed and functioning heating system. Space heaters do not qualify for this criterion.

E. Sewage Disposal/Septic Systems:

The septic system must service only the subject Property, septic systems serving multiple properties are not permitted except for in the instance of a Multiple Unit

Dwelling. If public sewer is available, the Property must be connected. See additional information regarding septic systems and sewage disposal under the applicable Appraisal Reports and Requirements; Property Certifications, Inspections, Testing and Reports - General Overview; and Property Certifications, Inspections, Testing and Reports - Requirements sections of this Chapter.

F. Private Water Supply/Wells:

If the Property gets its water supply from a well, that well must be located on the exterior of the Property. There must be at least 100 feet between the well and any septic drain field/absorption bed. If there is less than 100 feet on an existing Property, this condition may be acceptable if the municipal code official provides a statement that it is acceptable due to being grandfathered and if this condition is disclosed, in writing, to the entity insuring or guaranteeing the Mortgage Loan and that entity provides written acceptance thereof. See additional requirements regarding private water supply/wells under the applicable Appraisal Reports and Requirements; Property Certifications, Inspections, Testing and Reports - General Overview; and Property Certifications, Inspections, Testing and Reports – Requirements sections of this Chapter.

G. Unoccupied Property:

For all Mortgage Loans on property that is not occupied at the time of contract and sale, the appraiser must confirm that all mechanical systems are on and operational, or clear plumbing, electrical and heating certificates must be provided.

H. Acreage:

Properties must meet all underlying investor or Insurer Guidelines with respect to the acreage of the property, as well as any applicable zoning requirements.

I. Property Address:

1. Property Location Information:

The Property must be identified by the actual physical and postal addresses, including the house/unit/box number, street name, town and county name and 9-digit zip code in addition to the physical location of the property (including street name, municipality and county if different. The Mortgage Note, Mortgage and legal description(s) contained therein must reflect both the physical address and the postal addresses, if different.

2. Condominium Unit Numbers:

If a property is a condominium or other type of property that is identified by a unit number in the legal description, the unit number must be included on the Mortgage Note, Mortgage (and legal description(s) contained therein) and in the loan case file.

See additional information regarding condominium unit numbers in Section 7-4 C

7-3: APPRAISAL REPORTS AND REQUIREMENTS:

A. General Requirements:

All Purchase Packages submitted to NJHMFA must be accompanied by a copy of the "Uniform Residential Appraisal Report" (URAR, FNMA Form 1004) and the "Statement of Limiting Conditions and Appraiser's Certification" (FNMA Form 1004B). The appraisal must support the value of the property, and satisfy all requirements in this Guide along with applicable GSE/Insurer eligibility requirements.

NJHMFA requires compliance with all applicable laws by appraisers to ensure appraisals are not based on race, color, religion, gender, gender expression, age national origin, disability, marital status, source of income, sexual orientation, familial status, employment status, military status or any other characteristic set forth in the N.J. Law Against Discrimination, of either the present or prospective owners of subject property.

1. All appraisals must be compliant with Appraiser Independence Requirements (AIR) specified by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the FDIC, FHFA, Fannie Mae and Freddie Mac.

2. Appraisals must show the census tract in which the Property is located.

3. FHA appraisals must be accompanied by a "Conditional Commitment/Direct Endorsement statement of Appraised Value" (HUD 92800.5B).

4. VA appraisals must be accompanied by a "Certificate of Reasonable Value" (VA 26-1843) or the Lender's Notice of Value.

5. All existing property appraisals must be accompanied by clear photographs of the interior, front and rear view of the Property, and a street scene that includes the Property (excluding VA Mortgage Loans and HUD Property Disposition Program Set-Aside Mortgage Loans, if photographs are not available.)

B. Acreage:

Properties must meet all underlying investor or Insurer Guidelines with respect to the acreage of the property, as well as any applicable zoning requirements.

C. Private Sewage Disposal/Septic Systems:

The appraiser must clearly identify the exact type and location of the private sewer system servicing the Property. "On-site" is not acceptable. See additional information regarding Septic Systems under the applicable General Property Standards and Property Certifications sections of this guide.

D. Private Water Supply/Wells:

The appraiser must clearly identify the exact type and location of the private water system servicing the property. "On-site" is not acceptable. See additional information regarding Private Water Supply/Wells under the applicable Property Guidelines; Property Certifications, Inspections, Testing and Reports - General Overview; and Property Certifications, Inspections, Testing and Reports – Requirements sections of this Chapter.

E. Pre-Manufactured and Manufactured Housing:

1. The appraiser must address both the marketability and compatibility of manufactured homes. The materials and construction of the improvements must be acceptable in the subject market area. The appraiser should also comment on the sufficiency of the living areas of the home, the interior room size, storage, adequacy of roof pitch and overhangs and the compatibility of the exterior finish. In addition, the appraiser must address the marketability and value of manufactured homes in the subject market area in comparison to the marketability of site-built housing in the area.

2. The appraiser should use comparable sales, similar manufactured homes, comparing multi-sectional homes with other multi-sectional homes. If comparable sales of similar homes are not available, the appraiser may use site-built housing as comparable so long as it is explained why it is being done. When there is a preference for site-built housing in the subject market area, the appraiser must adjust the site-built comparables to reflect the market's reaction to manufactured homes.

F. Satisfactory Completion Certificate.

With respect to appraisals made subject to repairs, alterations or conditions, or subject to completion per plans and specifications, Seller must submit to the Agency, on the delivery date, a statement of satisfactory completion. This report shall be made after completion of repairs, improvements, alterations, conditions or construction, and must clearly state substantial compliance with all conditions or requirements as set forth in the original appraisal report of the mortgaged premises. The original appraiser must prepare this statement of satisfactory completion.

G. Appraiser Standards:

The Participating Lender must be able to furnish, upon request from the Agency, evidence that any appraiser they are doing business with has adequate experience and expertise or has been approved by FHA or VA. This generally means that the appraiser:

- Is a real estate appraiser licensed and in good standing with the state of New Jersey, a General Appraiser or Residential Appraiser and not previously disqualified by the Agency;
- Has successfully completed a national recognized basic appraisal course and has at least two years full-time real estate appraisal experience;
- Has demonstrated a high level of integrity, professional ethics and technical ability; and
- Is approved by FHA or VA or, for conventional loans, meets Fannie Mae's or Freddie Mac's Appraiser Independence Requirements, as applicable.

7-4 PROPERTY TYPES AND CLASSIFICATIONS:

A. Single Family Dwellings:

A residential building designed for use by one family, or a unit of a Multiple Unit Dwelling designed for residential use by one family, the owner of which unit owns an undivided interest in the underlying real estate. The term Single Family Dwelling may also include a single unit condominium or factory-made housing that is permanently affixed to real property. The term also includes property, owned in common with others, which is necessary or contributes to the use and enjoyment of such a structure or unit.

B. Multiple Unit Dwellings:

In Agency programs where financing of Multiple Dwelling Units is permitted, in addition to meeting all applicable FHA, VA or private mortgage insurance guidelines, as applicable, the Property must also meet the following NJHMFA requirements:

1. For the First-Time Homebuyer Program, the building must have been occupied as a residence for at least five years immediately preceding the Closing Date, provided that a unit may have been vacant during such period if the unit was, from the time previously occupied as a residence, held out for residential use and not occupied for any portion of such period in connection with a commercial or business use.

2. A property title report is required on all existing Multiple-Unit Dwellings. This report must meet the following requirements:

a. For the First-Time Homebuyer Program, provide a five-year title history, indicating names of title holders and dates of conveyances and property census tract and

b. Be issued by a title insurance company or other business enterprise engaged in the business of providing title search information.

3. Mortgagors must already occupy one unit of the dwelling as their primary residence:

a. On the Closing Date for a Stay at Home Mortgage Loan,

b. Within sixty (60) days of closing for First-Time Homebuyer or Homeward Bound Mortgage Loan, or

c. Within one hundred twenty (120) days of closing for a PFRS Mortgage Loan.

4. For the First-Time Homebuyer Program, in a Target Area, the building may be a new 2-unit dwelling. In this case, the property does not need to meet the five-year requirement.

5. In the State of New Jersey, 3-to-4-unit dwellings are subject to the Hotel and Multiple Dwelling Health and Safety Act, N.J.S.A. 55:13A-1 et seq. ("the Act") Properties under the Act must be registered with the New Jersey Department of Community Affairs ("DCA") and are required to have a Certificate of Inspection from the DCA Bureau of Housing Inspection or its designated local inspector. Owners of 3-to-4-unit dwellings are issued a DCA Green Card as evidence that the Property has passed State inspections.

6. Participating Lenders must show evidence that a 3-to-4-unit dwelling has been registered with the State of New Jersey by providing the Certificate of Registration.

7. Participating Lenders must request copies of any pending violation notices issued by the State and a copy of the DCA Green Card, if one exists.

8. Participating Lenders must document their files as to the basis of any determinations made concerning the existence of a DCA Green Card. In addition, where a DCA Green Card does not exist, the Mortgagor(s) should be made aware that the State may require the Mortgagor(s) to correct any violations found during a future State inspection.

C. Condominiums/Planned Unit Developments:

Condominium projects or PUDs must meet eligibility requirements of each GSE/Insurer and NJHMFA guidelines set forth in this Guide. Lenders must submit condo project approval documentation to match the required approval in the AUS finding. A condominium project that does not meet GSE/Insurer or NJHMFA guidelines may require a loan repurchase.

1. Documentation requirements for conventional condominium loans based on review method:

a. Full or Established Review:

i. HOA Questionnaire
ii. Blanket/Master Policy with the HOA as the named insured, in addition to interior coverage, if not included in blanket policy.
iii. Liability Policy
iv. Fidelity/Crime Policy (for all projects with 21 or more units).
v. Budget with 10% reserves.

b. Limited or Streamline Review:
- **i.** HOA Questionnaire
- **ii.** Blanket/Master Policy with the HOA as the named insured, in addition to interior coverage, if not included in blanket policy.
- **iii.** Liability Policy
- **iv.** Fidelity/Crime Policy (for all projects with 21 or more units).

c. New Project Review:
- **i.** HOA Questionnaire
- **ii.** Blanket/Master Policy with the HOA as the named insured, in addition to interior coverage, if not included in blanket policy.
- **iii.** Liability Policy
- **iv.** Fidelity/Crime Policy (for all projects with 21 or more units).
- **v.** Budget with 10% reserves.

d. Reciprocal Project Review:
- **i.** HOA Questionnaire
- **ii.** Blanket/Master Policy with the HOA as the named insured, in addition to interior coverage, if not included in blanket policy.
- **iii.** Liability Policy
- **iv.** Fidelity/Crime Policy (for all projects with 21 or more units).

e. 2-4 Unit Project not permitted.

2. Documentation requirements for FHA condominium loans based on review method:

a. Unexpired HRAP and DELRAP approval on HUD.GOV and Single-Unit approval. All documents used to determine project eligibility as outlined in the FHA Single Family Housing Policy Handbook 4000.1.

3. The Mortgagor must receive a fee simple interest in the real estate and a pro-rata share in the common elements. All common areas and facilities (including those that are part of an umbrella association) must have been completed prior to the Closing Date.

4. For **First-Time Homebuyer Conventional Mortgage Loans**, the Participating Lender must review the project documents and certify compliance with all warranties listed in the Condominium Warranty form (HMFA 0016). A copy of the certification must accompany the documents submitted in the underwriting package.

5. The NJHMFA reserves the right to reject any Mortgage Loan on a condominium unit if Agency Staff determine, in their discretion, that the project, its developer, its owner's association, condominium documents, or any combination of these factors constitute an excessive underwriting risk.

6. For FHA, VA or USDA Mortgage Loans, the NJHMFA will require evidence that the condominium or planned unit development is approved by the particular agency that will be the insurer guarantor.

7. The NJHMFA does not approve condominium projects. It is the Participating Lender's responsibility to review the necessary documents and execute the Condominium Warranty (HMFA 0016), if applicable, and/or to meet the insurer's/guarantor's requirements.

8. Condominiums in CHOICE Projects:

a. The NJHMFA requires that 51% of the units in a project be under contract of sale to separate purchasers (at least 60% of which will be owner occupants) prior to purchase of any Mortgage Loan by the NJHMFA.

b. The NJHMFA will purchase Mortgage Loans for up to a maximum of 50% of the units in any one phase of a project.

D. Pre-manufactured and Manufactured Housing:

NJHMFA will consider Mortgage Loans for properties that include a manufactured or factory-built home, providing that the structure has been built under Federal Manufactured Home Construction and Safety Standards established June 15, 1976, as may be amended.

1. Pre-manufactured housing (commonly known as "modular homes") that meets the Building Officials and Code Administrators International ("BOCA") Code and the New Jersey State Uniform Commercial Code, and either is completed at the factory and assembled on site or roughed in at the factory and assembled and finished on-site is eligible under the Agency's standard underwriting criteria.

2. Manufactured housing (commonly known as "mobile homes") that meets the HUD Code is eligible for Agency financing.

3. For government insured/guaranteed loans (FHA, USDA, VA), the Participating Lender is also to follow the respective Federal agency's guidelines for manufactured housing.

NJHMFA's guidelines for conventional Mortgage Loans are as follows:

a. New manufactured homes must be permanently affixed to a foundation;

b. Existing manufactured homes must be permanent affixed to the foundation in accordance with one of the foundation requirements set forth below:

- A foundation that has footings below the frost line. If piers are used, they must be placed where the unit manufacturer recommends;
- If State law requires anchors, they must be provided;
- The foundation system must meet local codes and have been designed by an engineer to meet soil conditions of the site and assume the characteristics of site-built housing; or
- If the local code mandates that existing manufactured homes must be reinstalled in conformance with the State code, then the manufactured home must meet the requirement listed above for new manufactured homes;

c. The structure must be defined, deeded and taxed as fee simple real estate;

d. The purchase of the land and the home must represent a single real estate transaction under applicable State law;

e. The financing must be evidenced by a mortgage recorded in the land records. A combination of chattel and real estate mortgage is **not** acceptable;

f. Wheels, axles, and hitches must be removed when the home is placed on its permanent site;

g. Each home must have sufficient square footage and room sizes to be acceptable to typical purchasers in the market area; and

h. All installations must be approved by a Design Approval Primary Inspection Agency (DAPIA).

Private mortgage insurance companies may have standards that are more restrictive than those listed herein. If private MI is to be used, the Mortgagor must satisfy that provider's requirements in whole, the above standards in whole, or a combination of the two such that for each criterion, the Mortgagor satisfies the most stringent.

E. New Development Requirement:
Applicable only to Mortgage Loans in the Agency-Originated 100% Program for Properties in CHOICE Projects.

1. If the Agency has made a specific allocation of funds to finance Mortgage Loans for development projects, including condominium projects, no more than the greater of 25 units or 50% of the units in any such development, including condominium projects, may be financed with Mortgage Loans, except that up to 10% of the aggregate principal amount of Mortgage Loans may be used to finance over 50% of the units in developments of over 50 units which are designed to meet the fair share housing requirements of a municipality within the meaning of the Fair Housing Act (N.J.S.A. 52:27D-301 et seq.), as long as no such development contains more than 125 units. Where developments are phased, the limitations set forth in this paragraph shall apply to each phase.

2. The Agency, however, may exceed the aforementioned 10% limitation and use up to 25% of the aggregate principal amount of Mortgage Loans to meet the fair share low- and moderate-income housing obligations of developing communities as long as developments represented by the aggregate amount of the Mortgage Loans in excess of said 10% have project approval by the Mortgage Loan's mortgage insurer or guarantor and each development contains 25 or fewer units.

3. Any development with more than 25 units to be financed with Mortgage Loans must meet the criteria for approval by Fannie Mae and/or Freddie Mac.

4. No more than 20% of the aggregate principal amount of the Mortgage Loans may be specifically allocated to finance the purchase of single family residences sold by the same corporation, partnership or sole proprietorship that is in the business of constructing, reconstructing or rehabilitating single family residences.

5. No more than 20% of the aggregate principal amount of the Mortgage Loans may be allocated specifically for any one development or condominium project.

F. Leasehold Financing:

The Agency will consider financing Mortgage Loans on leasehold estates on a case-by-case basis. At a minimum, the remaining term of the lease must be at least five years longer than the term of the Mortgage Loan and the cost of the leasehold must be nominal. A copy of the land lease must be submitted to the Agency for consideration.

Considerations the Agency will take in order to make a determination are:

1. The use of a leasehold must be common to the area;

2. Marketability must not be affected adversely;

3. The land lease must be recorded and subordinated to any and all Agency mortgage liens on the Property;

4. Assignment of the leasehold must be permitted without the permission of the lessor;

5. The Agency must be allowed the right to acquire in its own name or the name of its nominee the rights of the lessee upon foreclosure or assignment in lieu of foreclosure; and

6. The improvement must be real property with a deed and Mortgage that are recordable in the county deed and mortgage registers.

G. Investment Properties:
Investment properties are **not** permitted under any of NJHMFA's Homeownership Programs. The Property must be occupied as a principal residence of the Borrower. The only exception is that the remaining units of a Multiple Unit Dwelling may be rented, so long as one unit is the Borrower's primary residence.

H. Ineligible Properties:
Ineligible property types are mixed use properties, land-only properties, except as otherwise established in this guide, and properties with underground oil tanks.

7-5: PROPERTY CERTIFICATIONS, INSPECTIONS, TESTING AND REPORTS - GENERAL OVERVIEW:

A. Standard industry property certifications are required on all loans. These certifications must be obtained and submitted in accordance with any and all guidelines of the applicable GSE/Insurer such as Freddie Mac, Fannie Mae, FHA, VA, USDA, a Fannie Mae-approved mortgage insurance company. If there is a conflict between the NJHMFA's and the respective GSE/Insurer's requirements, the stricter requirement shall apply. Property location and type may also affect the number and type of certifications required for a Mortgage Loan to be eligible for purchase.

B. Copies of all required inspections, certifications and reports must be included with the Purchase Submission Package. This includes, but is not limited to, any required appraisals, certificates of occupancy, housing code letters, underground storage tank (UST) certifications, fire marshal certifications, water and septic certifications, wood destroying insect reports and documentation of any issues that affect or may affect the safety, structural integrity or habitability of the Property, including those concerning the status of any mechanical, plumbing, electrical or HVAC systems serving the Property, in addition to any other certifications required by Federal, State, county, or local law or that may be required by the insurer or guarantor of the Mortgage Loan.

C. Additional certifications are also required if the appraisal is subject to them, or if there are any comments made indicating that a certain condition could affect the safety, structural integrity, mechanical systems or the habitability of the improvements.

D. All deficiencies must be corrected prior to closing unless a prior, written express waiver has been given by NJHMFA. All required repairs must be completed by properly licensed/registered and qualified contractors. All certifications must be provided by such licensed/registered and qualified contractors on appropriate letterhead (or using a standard industry form) or by the appropriate governmental official on official letterhead (or using a standard industry form).

E. The Agency recognizes that due to weather conditions, minor items not affecting livability, whether on or off site may be incomplete at the time of loan closing. Exceptions to close the loan with these outstanding items may be acceptable to the Agency if the following requirements are met:

1. A certificate of occupancy or temporary certificate of occupancy has been issued, or if the municipality does not issue certificates of occupancy, the Participating Lender or an appraiser certify that the Property is substantially complete, that there are no health, safety, sanitation or other conditions that would make the Property uninhabitable, and provide, for Agency approval, a list of any and all items that need to be installed, repaired or replaced; and

2. The Participating Lender assumes the responsibility for any escrow holdback. The Agency will not purchase any loan with an active escrow for repairs or improvements. All properties must be habitable and occupied by the Borrower within sixty (60) calendar days of loan closing. The Participating Lender must provide an updated statement of satisfactory completion when all items are complete. The statement must be prepared by the original appraiser.

7-6: PROPERTY CERTIFICATIONS, INSPECTIONS, TESTING AND REPORTS - REQUIREMENTS:

A. Wood-Destroying Insect Certification:

Properties must meet all underlying Investor/Insurer Guidelines.

If the appraisal notes any possible infestation or damage, then a wood destroying insect report is required. If evidence of infestation and/or damage was observed, the report must be signed by the borrower and an inspection graph must be provided. If the infestation is active, or prior infestation is referenced and treatment is recommended, proper control measures must have been taken prior to approval. If structural damage resulted from the infestation, the lender must also provide proof that the damage was satisfactorily repaired or a report from a qualified inspector that the damage does not affect the structural integrity of the home. New homes less than one year old and never lived in along with condominiums constructed of concrete and steel or on a second level or higher, are exempt.

B. Flood Certification/Determination:

The Participating Lender should order flood determinations as soon as possible in the Mortgage Loan process. All flood zone determinations must be completed by one of the seven servicer approved vendors: Corelogic, Servicelink, CBC Innovis, Flood Zone Determination Services, Data Verify Flood Services, Factual Data, and Kroll Factual Data. If such determination reveals that the Property or any portion thereof is located in a Special Flood Hazard Area (SFHA), the Participating Lender must so notify the Borrowers in that transaction, in writing, as soon as possible. All loans also must have a transferrable life of loan flood certificate, as well as accurate flood data.

1. Life-of-Loan (LOL) flood determinations are required for every NJHMFA loan. The LOL flood certificate should list the insured as:
New Jersey Housing and Mortgage Finance Agency, ISOA, ATIMA
c/o Central Loan Administration and Reporting
P.O. Box 202028
Florence, SC 29502-2028

(ISOA: Its successors or assigns; ATIMA: As their interests may appear).

2. The completed FEMA Elevation Certificate (including photographs) and the application for flood insurance are also required and must be included with the LOL certificate in the Purchase Package.

C. Private Sewage Disposal/Septic systems:
Septic systems must be certified that they are operating correctly.

D. Private Water Supply/Wells:
Testing and certification of private water supply and wells are required as follows:

1. Potability Test:
Well water must be tested and a report from an EPA and/or DEP certified laboratory stating that the water is potable and/or that the water is safe for drinking or household use. The report must reflect that the test was performed within four months of closing and must be provided at closing.

2. Flow Test:
Required only on new wells. A certification is to be prepared by the well driller stating that the flow of the well in gallons per minute and that this flow approximates at least the minimum acceptable flow in the general area of the residence. The well driller's certification, which must be no older than 4 months as of the closing date, is to be included as an additional document in the Purchase Package.

E. Property Surveys:

1. Survey Requirements:

The Participating Lender is to refer to the respective first mortgage insurer guidelines. FHA/VA/USDA do not require a survey of the property if the title company can provide a survey endorsement in lieu of a survey and insure the transaction. NJHMFA will accept a “No Survey” survey endorsement provided the title policy lists no open exceptions related to property boundaries.

2. Survey Affidavits:

A survey affidavit of no change, approved by the title company will be acceptable on surveys up to 2 years old.

3. Survey Certificate:

A survey certificate is acceptable for a condominium property.

F. Legal Description of Property:

1. General.

The legal description set forth in the mortgage application, the mortgage title insurance commitment, the Mortgage, and final policy of title insurance must match the survey, be approved by the title company, and be in one of the following basic forms:

a. Metes and bounds; or

b. Lot and block on a recorded map or plat.

2. Metes and Bounds.

A metes and bounds description should comply with the following standards in addition to survey requirements:

a. The beginning point should be established by a monument located at the beginning point, or by reference to a nearby monument;

b. the sides of the Property should be described by giving the distances and bearings of each. In lieu of bearings, it is equally acceptable to use the interior angle method, provided that the beginning point is located on a dedicated public street line or other property fixed line or the course of the first side can be otherwise properly fixed;

c. the distances, bearings and angles should be taken from a recent survey, or recently recertified survey, prepared by a licensed land surveyor;

d. curved courses should be described by data including:

- Length of arc;
- Radius of circle for the arc; and/or
- Chord distance and bearing.

Exception: if deemed locally adequate by prudent private institutional investors, when a curved course is part of a dedicated public street or road line, that course may be described merely indicating the distance and direction which that course takes along the street line from the end of the previous course; and

e. The legal description should be a single perimeter description of the entire plot. Division into parcels should be avoided unless a special purpose of the specific Mortgage Loan is served. For example, division may be necessary if the plot is located on two sides of a public way to describe an easement appurtenant to the Property by using a separate description.

3. Lot and Block Description.

A description composed of lots and blocks that include reference to a recorded map or plat on which said lots and blocks are delineated may satisfy the legal description requirement. Mere reference to lots and blocks on a municipal Tax Map may not suffice.

4. Additional Acceptable Descriptions.

A description composed of a parcel bounded on all sides by dedicated streets or alleys can acceptably refer to the bounding lines of the streets or alleys alone.

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INSURANCE REQUIREMENTS:

8-1: MORTGAGE INSURANCE:

A. The Private Mortgage Insurer Eligibility Requirements (PMIERs)

PMIERs establish the requirements that a private mortgage insurance company must meet to be an approved insurer and provide mortgage guaranty insurance on loans acquired by NJHMFA. Participating Lenders must use mortgage insurance companies approved by FNMA or FHLMC, as applicable, on conventional loans above 80% LTV. Government loans are to be insured by FHA, VA or USDA as applicable. All mortgage insurance companies must be licensed to do business in New Jersey.

B. FHA requires that the MIC be transferred within 15 days of the sale of a loan.

8-2: TITLE INSURANCE

A. Provision of Title Insurance:

1. Before purchase or securitization, each first mortgage loan delivered to NJHMFA must have a title insurance policy in place that satisfies Agency requirements. Title insurance is to the benefit of the Agency.

2. By delivering a mortgage loan to NJHMFA, the lender represents and warrants that the loan is covered by the required title policy issued by an acceptable insurer, including any required endorsements and schedules, and that the policy is free from errors and omissions. There are to be no judgements or liens affecting title and the new mortgage must be in first position.

B. Charles Jones Judgement Search:

Participating Lender must complete a search for all names; current, maiden, legal name changes and hyphenated names.

C. Title Insurance Requirements:

1. Rating Requirements: A title insurer is acceptable if it has a rating from at least one independent rating agency that meets the following standards:

Rating Agency	Rating Requirements
Demotech, Inc.	Financial Stability Rating of “S” (Substantial) or better or a Statutory Rating of “C” (Average) or better.
Duff & Phelps Credit Rating Company	“BBB” or better
Fitch, Inc.	“BBB” or better
Kroll Bond Rating Agency, Inc.	“C” or better

Moody’s Investors Service	“Baa2” or better
Standard and Poor’s, Inc.	“BBB” or better

If NJHMFA determines that a particular title agency is unacceptable even if it meets these ratings, it will notify lenders by posting the name of the insurer on the Agency’s website.

D. Insurer No Longer Eligible:

If a title insurer that satisfied the NJHMFA’s rating requirement when a mortgage was closed no longer satisfies it at the time the mortgage is delivered to the NJHMFA, the lender must contact the Agency to determine where or under what conditions the loan is eligible for delivery.

E. New Insurer Not Yet Rated:

If a new title insurer has not yet been rated by at least one of the NJHMFA’s designated rating groups, the lender may request a waiver of the Agency’s requirement by sending it sufficient financial information about the title insurer to enable the Agency to make a proper evaluation of the insurer’s financial condition and any risks that it might present to it.

F. Ineligible Insurer Covered by Reinsurance:

1. If an insurer is fully covered by reinsurance with a company that satisfies the NJHMFA’s rating requirement, the insurer is acceptable provided that the primary insurer and the reinsuring company are both licensed to issue title insurance within the State of New Jersey and are in good standing with the New Jersey Department of Banking and Insurance.

2. Both insurance carriers must execute an Assumption of Liability Endorsement or an equivalent endorsement that provides for 100% reinsurance of the primary insurer’s policy and a 90-day written notice of termination of the reinsurance agreement. The alternative endorsement must be attached to the title insurance policy for each individual mortgage.

G. General Title Insurance Coverage

1. Terms of Coverage:

The title insurance policy must ensure that the title is generally acceptable and that the mortgage constitutes a first position lien of the required priority on a fee simple or leasehold estate in the property. The title policy also must list all other liens and state that they are subordinate to the Agency’s mortgage lien.

2. Effective Date of Coverage:

The effective date of the title insurance coverage may be no earlier than the date of the final disbursement of loan proceeds.

3. Amount of Coverage
   The amount of title insurance coverage must be at least equal the original principal amount of the mortgage.

4. Other Requirements
   The title insurance coverage must include an environmental protection lien endorsement (ALTA Endorsement 8.1-06).

   Title Insurance may not include exceptions that subject the Lender or NJHMFA to risk associated with any liens on the property or the use of a Power of Attorney related to the mortgage documents or closing documents.

5. References are to the ALTA 2006 form of endorsement. As an alternative to endorsements, the requisite protections may be incorporated into the policy.

6. Title policies may not include the creditors' rights exclusion language that ALTA adopted in 1990.

H. <u>Special Title Insurance Coverage Considerations:</u>

1. Condo and PUD Unit Mortgages
   The title insurance policy for a condo or PUD unit mortgage must describe all components of the unit estate.

2. For condo unit mortgages, an ALTA 4-06 or 4.1-06 endorsement or its equivalent is required. For PUD unit mortgages, an ALTA 5-06 or 5.1-06 endorsement or its equivalent is required. These endorsements must be attached to each policy or incorporated in the text of the policy.
3. If the unit owners own the common areas of the project as tenants in common, the policy for each unit mortgage must reflect that ownership.

4. If the homeowners' association owns the common elements, areas, or facilities of the project separately (or holds them in a leasehold estate), the title insurance on those areas must insure that ownership.

5. This title policy must show that title to the common elements, areas, or facilities is free and clear of any objectionable liens and encumbrances, including any statutory or mechanics' liens for labor or materials related to improvements on the common areas that began before the title policy was issued.

6. The title policy must protect the Agency by insuring the following:
   a. That the mortgage is superior to any lien for unpaid common expense assessments.

b. (In jurisdictions that give these assessments a limited priority over a first or second mortgage lien, the policy must provide assurance that those assessments have been paid through the effective date of the policy.

c. Against any impairment or loss of title of the Agency's first lien caused by any past, present, or future violations of any covenants, conditions, or restrictions of the master deed for the project. (It must specifically insure against any loss that results from a violation that existed as of the date of the policy.)

d. That the unit does not encroach on another unit or on any of the common elements, areas, or facilities. (The policy also must ensure that there is no encroachment on the unit by another unit or by any of the common elements, areas, or facilities.)

e. That the mortgage loan is secured by a unit in a condo project that has been created in compliance with the applicable enabling statutes;

f. That real estate taxes are assessable and lienable only against the individual condo unit and its undivided interest in the common elements, rather than against the project as a whole; and

g. That the owner of a PUD unit is a member of the homeowners' association and that the membership is transferable if the unit is sold.

I. Required Searches:

The following searches must be included with all title commitments:

- All applicable judgment searches;
- Patriot search;
- Bankruptcy search; and
- Tax and assessment search.

J. Title Exceptions

1. The Agency will not purchase or securitize a mortgage secured by property that has an unacceptable title impediment, particularly unpaid real estate taxes, outstanding judgments and survey exceptions.

2. If surveys are not commonly required in particular jurisdictions, the lender must provide an ALTA 9 Endorsement. If it is not customary in a particular area to supply either the survey or an endorsement, the title policy must not have a survey exception.

3. Minor title impediments must not materially affect the marketability of the property. The lender must indemnify the Agency for any Agency losses that can be directly attributed to the impediment(s).

4. Requests for waivers of exceptions to title should be submitted in writing to the NJHMFA and should provide appropriate justification for the waiver.

K. Minor Impediments to Title for Conventional Mortgages

Title for a property that secures a conventional mortgage is acceptable even though it may be subject to the following conditions, which the Agency considers minor impediments:

1. customary public utility subsurface easements that were in place and completely covered when the mortgage was originated, as long as they do not extend under any buildings or other improvements;

2. above-surface public utility easements that extend along one or more of the property lines for distribution purposes or along the rear property line for drainage purposes, as long as they do not extend more than 12 feet from the property lines and do not interfere with any of the buildings or improvements or with the use of the property itself;

3. mutual easement agreements that establish joint driveways or party walls constructed on the security property and on an adjoining property, as long as all future owners have unlimited and unrestricted use of them;

4. restrictive covenants and conditions, and cost, minimum dwelling size, or set back restrictions, as long as their violation will not result in a forfeiture or reversion of title or a lien of any kind for damages, or have an adverse effect on the fair market value of the property;

5. encroachments of one foot or less on adjoining property by eaves or other overhanging projections or by driveways, as long as there is at least a ten-foot clearance between the buildings on the security property and the property line affected by the encroachment;

6. encroachments on adjoining properties, as long as those encroachments consist only of hedges or removable fences;

7. outstanding oil, water, or mineral rights that are customarily waived by other lenders, as long as they do not materially alter the contour of the property or impair its value or usefulness for its intended purposes;

8. variations between the appraisal report and the records of possession regarding the length of the property lines, as long as the variations do not interfere with the current use of the improvements and are within an acceptable range. (For front property lines, a 2% variation is acceptable; for all other property lines, 5% is acceptable.);

a. rights of lawful parties in possession, as long as such rights do not include the right of first refusal to purchase the property. (No rights of parties in possession, including the term of a tenant's lease, may have a duration of more than two years.);

b. minor discrepancies in the description of the area, as long as the lender provides a survey and affirmative title insurance against all loss or damage resulting from the discrepancies;

L. Title Impediment – Mortgage Loans Secured by Properties with Unexpired Redemption Periods

1. An unexpired redemption period will be deemed to be an unacceptable title impediment.

2. Standard <u>unacceptable</u> exceptions. These exceptions must be removed by a signed endorsement and may not appear in the final policy of title insurance unless accompanied by the appropriate signed endorsement:

a. Encroachments and/or lack of access to the Property; Taxes and assessments for prior years (i.e., which would have been due and payable). NOTE: A policy may show taxes for the current year where a portion **is** not yet payable. The title company may add "not yet due and payable" with an endorsement and this exception becomes acceptable to that degree of tax liability;

b. Water and sewer charges that were due but not paid, or may not have been paid, prior to the date of settlement. Such charges due prior to the settlement with the "not yet due and payable" phrase must be removed by an endorsement;

c. Rights or claims of parties in possession not shown in the public records;

d. Mechanics liens;

e. Defects, liens, encumbrances, adverse claims or other matters, if any, created, first appearing in public records or attaching subsequent to the effective date of the title insurance policy but prior to the date the title insurance acquires for value of record the estate or interest or mortgage thereon covered by this commitment.

8-3: PROPERTY INSURANCE

Each borrower has the right to select his or her own insurance carrier to provide property insurance for the security property, provided that the insurance policy and coverage meet the Agency's requirements. The lender must ensure that the insurance carrier, policy, and coverage meet the Agency's requirements. In some cases, the Agency may require additional coverage or consider coverage that differs from these requirements.

A. Rating Requirements

Unless the Agency has approved alternative arrangements in advance, the property insurance policy for a property securing any first mortgage—including blanket policies for condo, co-op, and PUD projects—must be written by a carrier that meets the following rating requirements. The carrier needs to meet only one of the following rating categories, even if it is rated by more than one agency:

1. Carriers rated by the A.M. Best Company; Inc. must have either:

- **a.** a "B" or better Financial Strength Rating in *Best's Insurance Reports;* or
- **b.** an "A" or better Financial Strength Rating and a Financial Size Category of "VIII" or greater in *Best's Insurance Reports Non-US Edition;* or
- **c.** Carriers providing coverage for co-op projects must have a general policyholder's rating of "A" and a Financial Size Category of "V" in *Best's Insurance Reports*.

2. Carriers rated by Demotech, Inc. must have an "A" or better rating in *Demotech's Hazard Insurance Financial Stability Ratings*.

3. Carriers rated by Standard and Poor's must have a "BBB" or better Insurer Financial Strength Rating in *Standard and Poor's Ratings Direct Insurance Service*.

B. Reinsurance

A reinsurer can limit its coverage exposure by specifying a dollar limitation in the reinsurance endorsement. However, the Agency will not accept a contract that allows contributions or assessments either to be made against it or to become a lien on the property that is superior to its lien. If the reinsurance endorsement includes a dollar limitation, the insurance written under the policy cannot exceed that amount.

8-4: GENERAL PROPERTY INSURANCE COVERAGE

A. Coverage Requirements

1. Property insurance for properties securing loans delivered to the Agency must protect against loss or damage from fire and other hazards covered by the standard extended coverage endorsement. The coverage must provide for claims to be settled on a replacement cost basis. Extended coverage must include, at a minimum, wind, civil commotion (including riots), smoke, hail, and damages caused by aircraft, vehicle, or explosion.

2. The Agency does not accept property insurance policies that limit or exclude from coverage (in whole or in part) windstorm, hurricane, hail damages, or any other perils that normally are included under an extended coverage endorsement.

3. Lenders should advise borrowers that they may not obtain property insurance policies that include such limitations or exclusions, unless they are able to obtain a separate policy or endorsement from another commercial insurer that provides adequate coverage for the limited or excluded peril or from an insurance pool that the state has established to cover the limitations or exclusions.

4. Additional requirements apply to properties with solar panels that are leased from or owned by a third party under a power purchase agreement or other similar arrangement.

B. General:

All property insurance policies (flood, homeowner's, condo, etc.) must be pre-paid for a full 12 months, in full effect at the time of closing, and must list the following Mortgagee clause upon delivery of the purchase file to NJHMFA:

New Jersey Housing and Mortgage Finance Agency, ISAOA, ATIMA
c/o Central Loan Administration & Reporting
P.O. Box 202028
Florence, SC 29502-2028

C. First Mortgages

For a first mortgage secured by a property on which an individually held insurance policy is maintained, the Agency requires coverage equal to the lesser of the following:

1. 100% of the insurable value of the improvements, as established by the property insurer; or

2. the unpaid balance of the mortgage, as long as it at least equals the minimum amount 100% of the insurable value of the improvements—required to compensate for damage or loss on a replacement cost basis. If it does not, then coverage that does provide the minimum required amount must be obtained.

D. Deductible Amount

The maximum allowable deductible for insurance covering a property (including common elements in a PUD or condo) securing a first mortgage loan is 5% of the face amount of the policy. When a policy provides for a separate wind-loss deductible (either in the policy itself or in a separate endorsement), that deductible must be no greater than 5% of the face amount of the policy.

E. Determining the Amount of Required Property Insurance

The following table describes how to calculate the amount of required property insurance coverage:

Description
Compare the insurable value of the improvements as established by the property insurer to the unpaid principal balance of the mortgage loan.
If the insurable value of the improvements is less than the unpaid principal balance, the insurable value is the amount of coverage required.
If the unpaid principal balance of the mortgage loan is less than the insurable value of the improvements, the insurable value is the amount of coverage required.
Calculate 100% of the insurable value of the improvements.
If the result of this calculation is equal to or less than the unpaid principal balance of the mortgage, the unpaid principal balance is the amount of coverage required.
If the result of this calculation is greater than the unpaid principal balance of the mortgage, this calculated figure is the amount of coverage required.

Examples:

Category	Property A	Property B	Property C
Insurable Value	$90,000	$100,000	$100,000
Unpaid Principal Balance	$95,000	$90,000	$75,000
Required Coverage	$90,000	$90,000	$100,000

8-5: PROPERTY INSURANCE COVERAGE FOR UNITS IN PROJECT DEVELOPMENTS

A. Coverage for Units in Project Developments

The Agency generally does not require individual insurance policies for a condo unit that secures a first mortgage. However, if the legal documents for the project allow for unit insurance policies of reach first mortgage that the Agency purchases or securitizes in a condo project, the Agency will accept the individual unit insurance policies that meet its requirements.

B. Required Coverage for Condo or PUD Projects

This section covers property insurance requirements for insurance policies covering the common elements of condo and PUD projects—the project's blanket or master policy.

Acceptable policies must provide coverage for either an individual project or multiple affiliated projects. The insurance policy must at a minimum protect against fire and all other hazards that are normally covered by the standard extended coverage endorsement, and all other perils customarily covered for similar types of projects, including those covered by the standard "all risk" or "special form" endorsement. If the policy does not include an “all risk” or “special form” endorsement, the Agency will accept a policy that includes the “broad form” covered causes of loss. The applicable requirements are:

1. PUD Requirements
A standard Homeowner’s Policy is acceptable for the individual subject property.

2. Condo Requirements
The lender must review the entire condo project insurance policy to ensure the HOA maintains a master or blanket type of insurance policy, with premiums being paid as a common expense. The insurance requirements vary based on the type of HOA master or blanket insurance policy as follows:

a. “Single Entity” policy: The policy must cover all of the general and limited common elements that are normally included in coverage. These include fixtures, building service equipment, and common personal property and supplies belonging to the HOA. The policy also must cover fixtures, equipment, and replacement of improvements and betterments that have been made inside the individual unit being financed. The amount of coverage must be sufficient to restore the condo unit to its condition prior to a loss claim event. If the unit interior improvements are not included under the terms of this policy type, the borrower is required to have an HO-6 policy with coverage, as determined by the insurer, which is sufficient to repair the condo unit to its condition prior to a loss claim event.

b. “All-In” (sometimes known as an “all inclusive” policy: The policy must cover all of the general and limited common elements that are normally including in coverage. These include fixtures, building service equipment, and common personal property and supplies belonging to the HOA. The policy also must cover fixtures, equipment, and replacement of improvements and betterments that have been made inside the individual unit being financed. If the unit interior improvements are not included under the terms of this policy type, the borrower is required to have an HO-6 policy with coverage, as determined by the insurer, which is sufficient to repair the condo unit to its condition prior to a loss claim event.

c. “Bare Walls” policy: This policy typically provides no coverage for the unit interior, which includes fixtures, equipment, and replacement of interior improvements and betterments. As a result, the borrower must obtain an individual HO-6 policy that provides coverage sufficient to repair the condo unit to its condition prior to a loss claim event, as determined by the insurer.

C. Amount of Coverage
Insurance must cover 100% of the insurable replacement cost of the project improvements, including the individual units in the project. An insurance policy that includes any of the following coverage, either in the policy language or in a specific endorsement to the policy, is acceptable:

1. Guaranteed Replacement Cost—the insurer agrees to replace the insurable property regardless of the cost,

2. Extended Replacement Cost—the insurer agrees to pay more than the property's insurable replacement cost, or

3. Replacement Cost—the insurer agrees to pay up to 100% of the property's insurable replacement cost.

D. Policies with Coinsurance

Policies with coinsurance provisions can create additional risk for an HOA in the event of a loss if the amount of insurance coverage is less than the full insurable value. Master property policies that provide coverage at 100% of the insurable replacement cost of the project improvements, including the individual units, alleviate the risk of a coinsurance penalty being applied in the event of a loss.

1. If the policy has a coinsurance clause, inclusion of an Agreed Amount Endorsement or selection of the Agreed Value Option (which waives the requirement for coinsurance) is considered acceptable evidence that the 100% insurable replacement cost requirement has been met. If an Agreed Amount/Agreed Value provision is used, the Agreed Amount must be no less than the estimated replacement cost.

2. If the policy includes a coinsurance clause, but the coinsurance provision is not waived, the policy is still eligible if evidence acceptable to the lender confirms that the amount of coverage is at least equal to 100% of the insurable replacement cost of the project improvements. This evidence (documentation) must be maintained by the lender.

E. Maximum Deductible Amounts

1. For policies covering the common elements in a PUD project and for policies covering condo or co-op projects, the maximum deductible amount must be no greater than 5% of the face amount of the policy.

2. For blanket insurance policies that cover both the individual units and the common elements, the maximum deductible amount related to the individual unit should be not greater than 5% of the replacement cost of the unit.

F. Special Endorsements

The requirements for endorsements for condo, co-op, and PUD projects are as follows:

1. Inflation Guard Endorsement, when it can be obtained;

2. Building Ordinance or Law Endorsement, if the enforcement of any building, zoning, or land-use law would result in loss or damage, increased cost of repairs or reconstruction,

or additional demolition and removal costs to rebuild after a covered loss event occurs. The endorsement must provide for contingent liability from the operation of building laws, demolition costs, and increased costs of reconstruction. The endorsement is not required if it is not applicable or the coverage is not obtainable in the insurance market available to the association; and

3. Boiler and Machinery Equipment Breakdown Endorsement, if the project has central heating or cooling. This endorsement should provide for the insurer's minimum liability per accident to at least equal the lesser of $2 million or the insurable value of the building(s) housing the boiler or machinery. In lieu of obtaining this as an endorsement to the commercial package policy, the project may purchase separate standalone boiler and machinery coverage.

G. Special Requirements for Condo Projects

Additional insurance policy requirements for condo projects are as follows:

1. Any Insurance Trust Agreement is recognized.
2. The right of subrogation against unit owners is waived.
3. The insurance is not prejudiced by any acts or omissions of individual unit owners that are not under the control of HOA; and
4. The policy must be primary, even if a unit owner has other insurance that covers the same loss.

H. Named Insured

The table below provides the requirements regarding the name of the insured entity.

Coverage Type	Requirement for Named Insured
Condo projects	The policy must show the HOA as the named insured. If the condo's legal documents permit it, the policy can specify an authorized representative of the HOA, including its insurance trustee, as the named insured. The "loss payable" clause should show the HOA or the insurance trustee as a trustee for each unit owner and the holder of each unit's mortgage loan
PUD common areas	The policy must show the HOA as the name insured.

See Mortgagee Clause for Property and Flood Insurance, for additional requirements that pertain to the mortgagee clause requirements.

I. Notices of Changes or Cancellation

The table below provides the notification requirements for notices of policy changes or cancellations.

Project Type	Requirement
Condo	The policy must require the insurer to notify in writing the HOA (or insurance trustee) at least 10 days before it cancels or substantially changes a condo project's coverage.

8.6: EVIDENCE OF PROPERTY INSURANCE

A. Overview

Lenders must follow the requirements below relative to documenting and retaining evidence of property insurance policies:

1. The servicer should hold individual insurance policies for first mortgages.

2. The servicer must be given a copy of any insurance policy covering the common areas of the PUD project when the mortgage covers an individual unit in a PUD and coverage for the unit is provided under an individual policy.

3. When the borrower obtains property insurance, the lender must verify the actual existence of a valid policy that meets the Agency's requirements. Information related to the policy should be passed on to the servicer.

The servicer may store any of the forms used as evidence of insurance in an electronic medium. However, the servicer must be able to provide a legible copy of any particular policy if the Agency requests one.

B. Short-Form Certificates of Insurance

Instead of providing a full insurance policy for each property, some insurers issue a short-form certificate of insurance. A lender may accept a short-form certificate of insurance in lieu of an original policy if the certificate shows all of the necessary information and is signed by the insurer. In this case, a complete text of the full policy must be retained in the servicer's office.

C. Master or Blanket Policies

Many units in condo projects are covered by master or blanket policies instead of by individual policies. This also is true for some PUD units. In these cases, the servicer should be given a copy of the current master or blanket policy and a certificate of insurance showing that the individual unit that secures the mortgage loan or loan is covered under the policy. As an alternative, the lender may obtain from an authorized representative of the insurer individual evidence of insurance for each unit. This evidence must:

1. provide for at least 10 days' written notice to the servicer if the policy is canceled or not renewed, or if any other change that adversely affects the Agency's interest is made;

2. include the types and amounts of coverage provided; and

3. describe any endorsements that are part of the master policy.

8.7: FLOOD INSURANCE COVERAGE REQUIREMENTS

A. General Requirements

The lender must ensure that any flood insurance required for the security property is in place. The Agency requires flood insurance for any property that has a residential building, dwelling, structure, or improvement situated in a Special Flood Hazard Area (SFHA) that has federally mandated flood insurance purchase requirements, or

Flood insurance coverage is required for all residential buildings on the mortgaged premises if any part of the structure is located within an SFHA. IF two or more residential structures are located on a security property (for example, a principal structure and a guest house), all structures with any part in an SFHA must be covered by adequate flood insurance. (For the purpose of the Agency's flood insurance requirements, the "principal structure" is the primary residential structure on the security property.)

All flood zone determinations must be completed by one of three servicer approved vendors: Corelogic, Servicelink, CBC Innovis, Flood Zone Determination Services, Data Verify Flood Services, Factual Data, and Kroll Factual Data. All loans also must have a transferrable life of loan flood certificate, as well as accurate flood data.

The following table describes when flood insurance is required.

If…	Then flood insurance…
any part of the principal structure on a property securing the mortgage loan is located in an SFHA	is required on the principal structure.
a non-residential detached structure attached to the land on a property securing the mortgage loan has any part located in an SFHA,	is not required on the non-residential detached structure.
a residential detached structure on a property securing the mortgage loan has any part located in an SFHA,	is required on the residential detached structure.

1. The lender must determine whether or not the structures on the security property are located in an SFHA by using the Standard Flood Hazard Determination form endorsed by FEMA as mandated by federal flood insurance purchase requirements. SFHAs are shaded on a Flood Hazard Boundary Map and designated on a Flood Insurance Rate Map (FIRM). All flood zones beginning with the letter “A” or “V” are considered SFHAs.

2. If the lender determines that a principal and/or residential detached structure is located in an SFHA but the community does not participate in the National Flood Insurance Program (NFIP), the mortgage is not eligible for purchase by the Agency.

3. For communities that participate in the Emergency Program of the NFIP, mortgage loans secured by properties in those communities are eligible for purchase by the Agency provided that the flood insurance coverage meets the higher NFIP Regular Program limits (available on FEMA’s website). Because the NFIP Emergency Program provides only limited coverage, the borrower must obtain private insurance or a supplemental private policy in conjunction with an NFIP Emergency Program policy that fully meets the Agency’s flood insurance coverage requirements (described below).

4. The Agency will not require flood insurance on a principal or residential detached structure if the borrower obtains a letter from FEMA stating that its maps have been amended so that the structure is no longer in an SFHA.

B. Acceptable Flood Insurance Policies

Flood insurance should be in the form of the standard policy issued under the NFIP or by a private insurer. The terms and conditions of the flood insurance coverage must be at least equivalent to the terms and conditions of coverage provided under the standard policy of the NFIP for the appropriate property type. The Policy Declaration page of a policy is acceptable evidence of coverage.

The amount of flood insurance provided by the NFIP or by a private insurer must meet the Agency’s minimum coverage requirements for the appropriate property type. In addition, private carriers must meet the Agency’s minimum rating requirements for insurance underwriters.

C. Coverage for First Mortgages

The minimum amount of flood insurance required for most first mortgages secured by one- to four-unit properties, individual PUD unites, and certain individual condo units (such as those in detached condos, townhouses, or rowhouses) is the lowest of:

1. 100% of the replacement cost of the insurable value of the improvements;

2. the maximum insurance available from the NFIP, which is currently $250,000 per dwelling; or

3. the unpaid principal balance of the mortgage.

Additional requirements for units in attached condo projects and PUDs are detailed in Requirements for Project Developments below.

D. Requirements for Project Developments

If a first mortgage is secured by a unit in an attached condo and any part of the improvements are in an SFHA, the lender must verify that the HOA or co-op corporation maintains a master or blanket policy of flood insurance and provides for premiums to be paid as a common expense.

Project Type	**Coverage Requirements**
Condo	Individual condo units: A master condo flood insurance policy must be maintained by the HOA, subject to the coverage requirements below. (For detached units, refer to the requirements described in Coverage for First Mortgages above.) Condo Projects: The lender must verify that the HOA maintains a Residential Condominium Building Association Policy or equivalent private flood insurance coverage for the subject unit's building if it is located in an SFHA. The policy must cover all of the common elements and property (including machinery and equipment that are part of the building), as well as each of the individual units in the building. The master flood insurance policy must be at least equal to the lower of: ● 100% of the replacement cost, or ● the maximum insurance available from NFIP per unit (which is currently $250,000). If the condo project master policy meets the minimum coverage requirements above but does not meet the one- to four-unit coverage requirements (described in Coverage for First Mortgages), a supplemental policy may be maintained by the unit owner for the difference. The contents coverage for the building should equal 100% of the insurable value of all contents owned in common by association members. If the condo project has no master flood insurance policy or if the

	master flood insurance policy does not meet the requirements above, mortgages securing units in that project are not eligible for delivery to the Agency.
PUD	PUD units (attached and detached): The Agency requires the same flood insurance for individual PUD units that is required for other one- to four-unit properties (described in Coverage for First Mortgages). A stand-alone dwelling policy may be maintained to meet these requirements.

E. Maximum Allowable Deductibles

Deductibles for master project and individual dwelling flood insurance policies must meet NFIP requirements for the type of improvements insured.

8-8: MORTGAGEE CLAUSE FOR PROPERTY AND FLOOD INSURANCE

A. Mortgagee Clause

The lender's name, followed by the phrase "its successors and assigns," should be shown as the mortgagee. If the lender is not the servicer, the servicer's name should be specified. In all cases, the insurer should be instructed to send all correspondence, policies, and bills to the servicer (or to both the first and second mortgage servicers)

Chapter 9
CLOSING THE LOAN

9-1: GENERAL INFORMATION:

Participating Lenders should follow the instructions in this chapter for closing loans that will be sold to NJHMFA. This chapter outlines information regarding the completion of the various required documents, as well as procedure to be followed.

A summary of NJHMFA's delivery documents is available on the program-specific document checklist. Participating Lenders are encouraged to provide the closing agent with a copy of that form. Participating Lenders must ensure that their closing staff and closing agents understand what documents are required under each of the Agency's programs.

The ILRS Reservation Confirmation must be in the Purchase Package. This form is retrieved from the ILRS. The conditions noted on the NJHMFA approval must be cleared prior to or at closing, unless Agency Staff indicates otherwise, in writing, prior to closing.

The first Mortgage Loan is funded by the Participating Lender and closed in the name of the Participating Lender, then sold to NJHMFA by the expiration of the rate lock period. Extensions to the rate lock, on loans not yet closed, are available using the ILRS and timely obtaining such extensions is the sole responsibility of the Participating Lender. See Chapter 6 – LOAN RESERVATION POLICY AND LOAN RESERVATION PIPELINE MANAGEMENT for details on extensions as well as late fees for files not delivered on time.

The down payment assistance loan, if applicable, is funded at closing by the Participating Lender but closed in NJHMFA's name. NJHMFA then includes the assistance amount with the loan purchase proceeds.

It is the Participating Lender's responsibility to make sure that all pertinent closing, shipping and final document personnel and all closing agents have been trained to process NJHMFA loans, to ensure all closing and post closing activities and submissions conform to NJHMFA requirements. If additional training is needed, please contact the Consumer Lending Coordinator at 1-800-NJHOUSE.

9-2: LIMITATIONS ON CASH BACK:

Cash back to the Borrower at closing is limited to a maximum of $3,000 and may only be used to reimburse the Borrower for eligible expenses paid directly by the Borrower. The $3,000 maximum may include eligible closing costs or prepaid taxes and insurance paid outside of closing, or all or a portion of the Borrower's "Initial Deposit" or "Initial Earnest Money Deposit" (or other designation of deposit funds tendered by the Borrower upon the Borrower execution of the contract) funds tendered at the outset of the real estate contract and/or purchase process. Eligible closing cost reimbursement is limited to appraisal, survey, pest inspection, housing counseling certification and credit report.

Funds in excess of the actual funds tendered by the Borrower up to a maximum of $3,000 must be applied as a principal reduction to the first mortgage loan. This needs to be placed on the CD at the time of closing.

Borrowers seeking to recover all or a portion of their Earnest Money Deposit in excess of reimbursement for eligible expenses paid directly by the borrower ($3,000) must have a fully executed sales contract that reflects a loan amount that matches the loan amount on the Lenders Underwriting Transmittal.

9-3: TITLE INSURANCE:

See Chapter 8, Insurance Requirements, for full details on NJHMFA's title insurance requirements.

9-4: MORTGAGE INSTRUMENT(S) AND ASSIGNMENT:

The town/city name must be included in the property address. In some areas, it is common practice to include the township name as part of the property address. This is acceptable, but on the legal documents, it must be listed in parentheses behind the zip code. It cannot be listed in lieu of the town/city name (except in those few cases where the township name is actually the official name of the town/city).

A. Mortgage Instrument:

The current form of FHA Model Forward Mortgage or FNMA/FHLMC uniform instrument reflecting all required uniform and non – uniform covenants as well as any applicable riders (Condo, PFRS, HMFA 1-4 Family/Tax-Exempt Financing Rider, PUD, etc.) must be utilized for Agency loans unless otherwise specified by program requirements. The legal description must be included, as well as all applicable riders (Condo, PFRS, HMFA 1-4 Family/Tax Exempt Financing Rider, PUD, etc.). If the Mortgage document indicates that a rider is attached, the rider must be attached even if it is not a NJHMFA required document.

B. Assignment of Mortgage:

The first Mortgage Loan closes in the Participating Lender's name; the Participating Lender will assign that Mortgage Loan to NJHMFA by execution of the applicable HMFA for of Assignment and submit for recording immediately following the Agency's purchase approval. ***<u>The Participating Lender shall not record the NJHMFA form of Assignment or any other assignment to the Agency until the Agency approves the purchase. The Assignment cannot be dated prior to the Mortgage; it should have the same date as the Mortgage</u>***. The Purchase Package must contain a fully executed, certified true copy of the Assignment of Mortgage in recordable form.

More information regarding the applicable program-specific form of Assignment of Mortgage and appropriate assignee clauses can be found in Chapter 1 of this Guide, on the Agency's website, and in the Summary of Addresses, Clauses and Contacts in this Guide.

C. Subordinate Mortgage(s):

The following documents are used for down payment assistance loans, which shall be subordinate to the Agency-funded Purchase Money Mortgage Loan:

- Applicable NJHMFA down payment assistance loan 5 Year Note; and
- Fannie Mae Second Mortgage Instrument

The NJHMFA Assignment of Mortgage is not required for NJHMFA subordinate loans because they close in NJHMFA's name.

The NJHMFA subordinate mortgage must be recorded in second lien position. Therefore, in addition to the NJHMFA subordinate loan documentation requirements, the Participating Lender must also provide copies of any additional subordinate mortgages utilized in the transaction with recording information included, reflecting recordation behind all Agency financing.

D. Certified Copies:

Copies of the first Mortgage, assignment of mortgage, and subordinate mortgage(s) if applicable, including any subordinate mortgage(s) for other local/county and NJHMFA assistance programs that were signed at loan closing must be certified as true and correct copies of the originals that were sent for recording. The certification must be signed by the closing agent.

9-5: MORTGAGE NOTE:

A. FIRST PAYMENT DATE:

The First Payment Date on the Note can be one of the following:

- The first day of the second month following loan closing or funding; or
- If the loan closes within the first five calendar days of the month, it could be the first day of the month following loan closing (this applies to "short term interest" or "interest credit" options).

B. ENDORSEMENT:

All First Mortgage Notes submitted for purchase must have the following legible endorsement program specific endorsement:

For all Agency Mortgage Loan programs **other than** the PFRS Mortgage Loan Program:

"Pay without recourse to the New Jersey Housing and Mortgage Finance Agency."

For the PFRS Mortgage Loan Program:

"Pay without recourse to the Police and Firemen's Retirement System Board of Trustees by its Administrative Agent New Jersey Housing and Mortgage Finance Agency."

The endorsement must be signed by an authorized officer of the Participating Lender. The Participating Lender's name should appear above the signature of the officer. The officer's name and title are to appear legibly with the signature.

C. ACCURACY:

The Participating Lender must ensure that the following information appears accurately on the Note:

- The loan amount and Principal and Interest (P&I) payment;
- The interest rate is that which was reserved with NJHMFA and listed on the Reservation Confirmation;
- The maturity date is one month preceding the 1st payment date plus 30 years;
- Late charges in an amount of four percent (4%) of the total monthly payment will be assessed on any payment made fifteen (15) days after the due date.

9-6: CONSISTENCY OF BORROWER NAMES:

In all cases, party names, especially the names of any party taking title or to have an interest in the Property, shall appear consistently in all transaction documents. The Participating Lender must include in the Purchase Package an executed name affidavit to address any and all inconsistencies. As further clarification:

A. In accordance with FHA requirements, a borrower or co-borrower must use their full legal name on all loan applications and documentation. Nick names and abbreviations will not be acceptable formats; middle initials and suffixes, i.e., Jr. and Sr. must be used if same are present in full legal name and forms of government ID.

B. A Borrower's or Co-Borrower's name shall always be written the same way throughout on: the application, consumer lending disclosures, title policy, deed, Mortgage, Mortgage Note, and where applicable: FHA mortgage insurance certification, VA Loan Guaranty Certificate, or USDA Loan Note Guaranty; Smart Start Mortgage and Smart Start Note.

C. The Participating Lender must ensure that all persons in the sale and financing transactions appear in the documents relevant to the transactions, and accurately and consistently portray each person's role therein, such as Borrower, Co-Borrower, Co-Signer.

D. Where there is Smart Start or other Agency subordinate financing, all parties to the purchase financing shall have the same role, and their name shall appear the same in the documentation for the Smart Start or other Agency subordinate financing as in those for the first Mortgage Loan.

9-7: CO-SIGNERS:

The Co-Signer must execute the Mortgage Note. The Co-Signer is not to execute the Mortgage or affidavit of title.

9-8: NON-LIABLE CO-OCCUPANTS:

A. In the NJHMFA Homeward Bound, Stay at Home, PFRS, and HFA Advantage Programs a non-liable co-occupant may take title to the Property, as long as all Borrowers will have fee simple title in the Property as otherwise set forth in this Guide. In that case, all non-liable co-occupants' names must be on the deed, Mortgage, Assignment of Mortgage, consumer lending disclosures, affidavit of title, and the title policy. The non-liable co-occupant(s) must execute the Mortgage and affidavit of title but do not execute the Mortgage Note.

B. A non-liable co-occupant might not take title to the Property but can still have an inherent legal interest in the Property, as long as all Borrowers will have fee simple title in the Property as otherwise set forth in this Guide (for example, spousal [or any legal equivalent recognized in this State] right in fee simple title). In that case, the Underwriting File must document the non-liable co-occupant's relationship creating the legal interest in the Property and the non-liable co-occupant's name must be on the Mortgage, Assignment of Mortgage, right of rescission, and affidavit of title. The non-liable co-occupant must execute the Mortgage, and Affidavit of Title. They do not sign the Mortgage Note.

C. A non-liable co-occupant without title or a legal interest in the Property may reside in the Property. In such case, the non-liable co-occupant's name must not appear on any of the title documents, title insurance, financing documents, or security instruments.

D In the NJHMFA First-Time Home Buyer program, non-liable co-occupants cannot take title to the Property.

1. If a non-liable co-occupant does not take title to the Property but has an inherent legal interest in the Property (for example, spousal [or any legal equivalent recognized in this State] right), then the non-liable co-occupant's name must be on the Mortgage, Assignment of Mortgage, right of rescission, and affidavit of title. In all cases, the non-liable co-occupant must execute the Mortgage and affidavit of title. They do not sign the Mortgage Note. ***The identity and income of all non-liable co-occupants with an inherent legal interest in the property must have been disclosed to NJHMFA during the underwriting process. Their income IS considered for purposes of determining household income.*** The Participating Lender must provide a processor's certification in the Underwriting File with the name and Social Security Number of the non-liable co-occupant.

2. A non-liable co-occupant without title or a legal interest in the Property may reside in the Property. In such case, the non-liable co-occupant's name should not appear on any of the title documents, title insurance, financing documents, or security instruments. The Participating Lender must provide a processor's certification in the Underwriting File with the name and Social Security Number of the non-liable co-occupant.

E. For down payment assistance loans, the underwriting and documentation must follow the requirements of the Agency first Mortgage Loan with regard to non-liable co-occupants.

9-9: POWER OF ATTORNEY (POA)/AUTHORIZATIONS:

A. Borrower Power of Attorney or Authorization Documents:

1. If the Borrower authorizes another individual (including their attorney) to sign any of the required closing documents, a Power of Attorney or Authorization to Sign document must be executed and submitted to NJHMFA.

2. Documents must be presented to NJHMFA for required written approval, prior to closing.

3. Documents must be witnessed and/or notarized in order to be deemed approvable.

4. Authorized signer must identify themselves as either POA or Authorized Signer when executing documents.

B. Seller Power of Attorney or Authorization Documents:

1. If the Seller authorizes another individual (including their attorney) to sign the deed, a Power of Attorney or Authorization to Sign document must be executed and submitted to NJHMFA.

2. If attorney-in-fact executes the deed on behalf of Seller, Power of Attorney/Authorization document must be notarized and recorded with the deed.

3. All Power of Attorney/Authorization documents must be submitted to NJHMFA in the purchase package. The Agency, in its sole discretion, may approve or reject submitted Power of Attorney/Authorization documents for execution deficiencies. Any incurable flaw in a Power of Attorney/Authorization document may result in the Agency's refusal to purchase the submitted loan. In some instances, repurchase may be necessary.

C. POA requirements to avoid repurchase risk include but are not limited to**:**

1. POA must be executed and notarized prior to closing.
2. Buyers POA must be property specific and the address on the POA must match subject property.
3. If the Seller POA is property specific, the property address must match.
4. Signatures must match on POA and loan docs.
5. Person who was granted POA authority is the one who actually signed the documents.
6. If Seller is an LLC, an authorized member of the LLC must execute the POA for the third party that executes the deed.
7. If Seller is an LLC, the LLC must be in good standing in the State the business is licensed in.

9-10: HOMEOWNER'S INSURANCE POLICY:

The homeowner's insurance policy must be pre-paid for a full 12 months and <u>must</u> contain the following Mortgagee clause:

> New Jersey Housing and Mortgage Finance Agency, ISAOA, ATIMA
> c/o Central Loan Administration & Reporting
> P.O. Box 202028
> Florence, SC 29502-2028

If this clause is missing or incorrect, the Participating Lender must request an addendum to the policy to make the necessary corrections.

See Chapter 8, Insurance Requirements, for more details related to Homeowner's and other required insurance.

9-11: MORTGAGE INSURANCE PREMIUMS:

When processing the MI premiums, please follow the procedures listed below. There are four types of remittances. See Chapter 8, Insurance Requirements, for more details related to MI.

A. PMI – Forward two months of premiums to the PMI company. A copy of the check must be included in the Purchase Package.

B. FHA MIP Premium – Do not remit any monthly premiums to FHA, but do forward the UPFRONT Premiums to FHA.

9-12: TAXES:

All taxes that are due and payable must be paid at loan closing.

A tax certification is required to verify taxes were paid for School, County and City/Township or Borough as applicable.

A. Tax and Insurance Escrow:

An Initial Escrow Account Disclosure statement must be completed accurately to ensure sufficient funds are collected at closing and netted from the Participating Lender's purchase proceeds. If property tax is due to be paid from the Escrow account shortly after the loan closes, include the property tax amount and the correct month the bill is due in the Escrow Account Disclosure and the Payment History requested at the time of purchase. When calculating the initial deposit to escrow, a 1/6th cushion must be collected.

B. New Construction: Close attention must be given to obtaining accurate property tax figures that include both the land and all improvements. The Participating Lender must contact the local tax office to obtain this information and include in the Underwriting File.

If the tax office is unable to provide the first year of taxes including land and all improvements, the Participating Lender must estimate the taxes using the following process:

1. Use three comparable existing residential properties in the market area and average the tax figures for each of the three comparable properties. Comparable property tax assessments must include land and all improvements.

2. A processor's certification performing this calculation must be included with the Underwriting File.

9-13: TRANSFER OF SERVICING:

All loans are sold servicing-released to NJHMFA; the Participating Lender must perform Interim Servicing prior to selling the Mortgage Loan to NJHMFA. The Participating Lender must timely issue a Servicing Transfer Letter that meets all requirements of Applicable Law and provide a copy to the Agency.

A. The Participating Lender and/or closing agent should instruct the Borrower to send their first mortgage payment to the Participating Lender or its Subservicer.

B. Mortgage Loan payments are due on the first day of the month. Late charges will be due if the payment is not posted to Borrower's account by the close of business on the sixteenth day.

9-14: 1098 REPORTING:

The Participating Lender is responsible for 1098 reporting for all fees paid at closing for Mortgage Loans that are table-funded by the Participating Lender and for any interest paid to the Participating Lender by the Borrower.

9-15: POSSESSION OF A MORTGAGE LOAN FILE BY PARTICIPATING LENDER/SERVICER AND/OR SUBSERVICER:

The Participating Lender must be able to interim service the Mortgage Loan and is responsible for establishing and maintaining individual Mortgage Loan files and for maintaining accurate accounting and Mortgagor payment records. The Agency has the right to examine any and all records that pertain to Mortgage Loans the Participating Lender has sold to the Agency, any and all accounting reports associated with those Mortgage Loans and Mortgagor remittances, and any other reports and documentation that the Agency consider necessary to assure that the Participating Lender is in compliance with our requirements.

A. Mortgage files and records include the original individual mortgage files, permanent mortgage account records, and accounting system reports that are sent to the NJHMFA.

B. The Participating Lender/Servicer/Subservicer should use the individual mortgage file established at the time of origination to accumulate other pertinent servicing and liquidation information - such as property inspection reports, copies of delinquency repayment plans, documents related to insurance loss settlements, foreclosure notices, etc.

Chapter 10

SELLING THE LOAN TO NJHMFA

10-1: PERFORMANCE STANDARDS:

It is the Participating Lender's responsibility to ensure that: (a) the closing, shipping and final document personnel have been trained to process NJHMFA loans and (b) all Closing and Post Closing Activities conform to NJHMFA requirements. If additional training is needed, please contact the Manager of Business Development at 1-800-NJHOUSE.

If at any time during the life of a Mortgage Loan a quality control review reveals the Participating Lender has failed to follow procedures or clear an outstanding issue or any material defect or inaccuracy cannot be rectified to the satisfaction of the NJHMFA or the Trustee, the Participating Lender may be required to repurchase the mortgage loan from the NJHMFA. Repurchase is discussed in detail in Chapter 12.

10-2: SUBMITTING THE PURCHASE PACKAGE

A. Purchase Submission Deadline:

To avoid extension fees, the Participating Lender must deliver a complete Purchase Submission Package in time to be purchased by NJHMFA on or before the reservation expiration date. Closed loan packages must be submitted within 7 days of closing so that any non-fatal TRID disclosure issues can be resolved. In no case will a loan package submitted more than 30 days after closing be accepted for purchase review.

B. Delivery:

All government insured, down payment assistance and PFRS loans will be delivered in accordance with the applicable program's checklist.

C. Purchase Submission Documents Transmittal:

To complete a Purchase Package, use the program-specific HMFA Form 100, Purchase Review Submissions Checklist, as a guide to assemble and check off the items that are being submitted. The information on this form will aid in submitting a complete purchase package. That form indicates the stacking order when the original documents are required, and what items are needed for the different types of programs offered by NJHMFA.

D. Mortgage Modification Agreements:

A mortgage modification agreement is required to correct an error or omission on the recorded mortgage or when the payments begin on a date different than stated on the Note and Mortgage.

E. MERS

The Agency will not accept mortgages recorded through the Mortgage Electronic System (MERS).

10-3: SERVICING PROCEDURES AND DOCUMENTS

All Mortgage Loans are sold servicing-released to NJHMFA; the Participating Lender must perform any Interim Servicing. The Participating Lender is to sell the Mortgage Loan servicing-released to NJHMFA immediately following closing, but no later than the expiration of the delivery period. The last page of the HMFA Form 100 contains the documents that are required for the servicing transfer to NJHMFA. Some additional details are contained below for the items that are generally completed by the Participating Lender after closing.

A. Tax Certification:

A Tax Certification is required to verify taxes were paid for School, County and City/Township or Borough as applicable at the time of purchase review in order to verify tax disbursements noted on closing documents. An updated tax certification may be required.

Please use the last month of the discount period for the disbursement due date on all real estate taxes. The disbursement month must remain consistent from year to year or it will affect the aggregate analysis. This information should be available at settlement to comply with RESPA Aggregate Analysis procedures.

If the Property is part of a tax abatement program, the Escrow amount used for closing and the CD should be based on the actual amount due under the abatement program for the upcoming year.

B. Insurance and Insurance Policies.

Insurance requirements are discussed in detail in Chapter 8, Insurance Requirements.

1. Homeowners Insurance:

Forward the insurance declaration pages for Homeowners and/or Flood Insurance with a copy of the check or receipt for one full year's premium.

The first mortgagee clause on all insurance policies is to read:

New Jersey Housing and Mortgage Finance Agency, ISAOA, ATIMA
c/o Central Loan Administration & Reporting
P.O. Box 202028
Florence, SC 29502-2028

2. Flood Insurance:

The application for a flood insurance policy must be signed and dated by the Borrower and the agent. If this payment is included on the settlement statement and was paid at closing, it is not necessary to send copies of the check or receipt. If it is shown as a POC, then a payment receipt for the first year's premium is required.

3. Condominium Insurance:

For condominiums it is the Participating Lender's responsibility to obtain proof of insurance from the Mortgagor(s) and the Condo Association to establish that there is a sufficient amount of replacement value insurance to completely rebuild the unit in the event of a total loss.

Provide the HO6 policy of the homeowner's policy and a Certificate(s) of Insurance from the condominium association for Hazard Insurance and flood insurance, if applicable.

4. Copy of Mortgage Insurance MI Certificate:

Please be sure to include a copy of the MI Certificate in file.

5. FHA Connection – HUD Holder/Servicer Transfer

The HUD Holder/Servicer in the FHA Connection System must be transferred to reflect the Agency and the Agency's designated Servicer. Failure to timely notify FHA of the sale of an applicable Mortgage Loan and the accompanying transfer of the FHA Case Number to the Agency may result in the required repurchase of the mortgage loan by the originating Participating Lender. For reference, the Agency's ID number is 30269 09998 (NJHMFA) 30084 (CENLAR).

C. Reporting to IRS:

The Participating Lender is required by Federal Law to report to the IRS and interest collected at closing in accordance with IRS regulations. Any interest collected from mortgage payments while Interim Servicing must be reported as well. This is your responsibility as the Participating Lender.

10-4: SUMMARY REPORTS

A. Loan Pipeline Report – Program Type:
The Loan Pipeline Report – Program Type is updated continuously and is available via the ILRS.

B. Open Conditions & Loans by Status Report:
This report is updated daily and available online using the ILRS.

10-5: PURCHASE AND SALE OF MORTGAGE LOAN

A. The Participating Lender shall process and report applications for Mortgage Loans and deliver Mortgage Loans to the Agency in accordance with the Mortgage Loan Delivery Schedule.

B. The Agency shall purchase and pay for each Mortgage Loan properly submitted to it for purchase in accordance with this Guide, applicable Term Sheet, and guidelines within 15 business days of such submission for purchase. See Section 10-2A, page 10-1.

C. The net purchase price payable by the Agency to the Participating Lender on the Purchase date for each Mortgage Loan purchased by the Agency shall be as set forth in this Guide. The Mortgage Loans are sold servicing-released and the acquisition of servicing rights by the Agency are included in the purchase fee.

1. All amounts collected by the Participating Lender for establishing the initial escrow account shall be retained by the Participating Lender and shall be subtracted from the Purchase Price of the Mortgage Loan.

2. If Participating Lender shall knowingly cause the refinance or payoff of a Mortgage Loan sold to the Agency by that Participating Lender within six (6) months of the Purchase, the Participating Lender shall reimburse the Agency for any servicing release premiums paid to Participating Lender in connection with the Mortgage Loan.

D. The Participating Lender agrees to comply with all of the terms, conditions, and requirements of this Guide, applicable Term Sheet, and guidelines in effect as of the Closing Date with respect to such Mortgage Loans closed thereon unless expressly waived by Agency Staff, in writing, under the process set forth in this Guide.

E. The Participating Lender agrees that the Agency shall have the right to amend and supplement this Guide, Term Sheets and Mortgage Program guidelines from time to time by distributing the changed pages via electronic mail and posting on the Agency's website; such amendments or supplements to be effective five (5) business days after the date of the electronic mailing thereof unless otherwise set forth; provided, however, that (i) in the event of any conflict between the provision of the Agreement and any provision of this Guide, Term Sheet, and guidelines as from time to time amended or supplemented, the Agreement shall govern and (ii) any amendments or supplements to the Guide, Term Sheet, and guidelines shall not apply to Mortgage Loans for which the actual Closing Date was prior to the effective date of the amendments or supplements.

10-6: CONDITIONS TO PURCHASE

The Agency shall be obligated to purchase any Mortgage Loan offered for sale by the Participating Lender under the Agreement only if the Mortgage Loan fully complies with the requirements of the Agreement and this Guide in all respects, including, but not limited to satisfying the following:

A. The Participating Lender shall follow the reservation, eligibility, and document submission requirements of this Guide for each Mortgage Loan. See Section 10-2A, page 10-1.

B. The Participating Lender shall pay all costs of preparing and furnishing to the Agency and, if applicable, the GSE or Insurer, any and all documents necessary for underwriting and closing the Mortgage Loan.

C. As set forth in this Guide, certain mortgage documents will be reviewed by the Agency or its duly authorized/designated vendor (who shall be the Agency's designee) prior to accepting the Mortgage Loan for purchase.

1. For any Mortgage Loan that the Agency or its designee has deemed in whole or in part defective or deficient, the Agency may refuse to Purchase the Mortgage Loan until the Participating Lender cures any and all defects, if possible, and timely extends the reservation on the loan, the obtaining of and fees for which are the Participating Lender's sole responsibility.

2. The Agency or its designee shall also complete quality control reviews of Mortgage Loans post-purchase, in a process and timing that satisfies FHA quality control requirements. The Participating Lender will be required to correct any deficiencies or defects found during such quality control review within sixty (60) days of being so notified by the Agency or it may be required to repurchase the Mortgage Loan.

3. The Agency's retention of a designee to perform any Mortgage Loan review functions shall not constitute a waiver of any warrant, representation, or covenant by the Participating Lender or the Mortgagor with respect to the Mortgage Loan.

D. The Agency’s timing to review and purchase Mortgage Loans shall take place as set forth in this Guide.

10-7: MORTGAGE LOAN BENCHMARKS

The Agency shall be obligated to purchase and pay for any Mortgage Loan offered for sale by the Seller under the Agreement only if, with respect to Mortgage Loan, the following conditions have been met as of the following dates:

A. As of the Closing Date:

1. The Mortgage Loan was lawful under all applicable local, State and Federal laws, rules and regulations that govern the affairs of the Participating Lender, the Agency, and the Mortgagor, including, without limitation, all applicable real estate settlement procedures, truth-in-lending and anti-discrimination laws.

2. The Mortgage Loan is insured under a private mortgage insurance policy or an FHA mortgage insurance program or is guaranteed by VA or USDA. The Participating Lender has complied with all rules and requirements of the insuring or guaranteeing entity and the insurance or guarantee is in full force and effect and will inure to the benefit of the Agency upon Purchase of the Mortgage Loan.

3. The Participating Lender has complied, and the Mortgage Loan complies, with all the terms, conditions and requirements of this Guide and applicable Term Sheets and guidelines unless any such terms, conditions and requirements shall have been waived by the Agency in writing.

4. The Mortgage Loan bears interest at a rate which is specified in the reservation commitment from the ILRS, subject to timely and proper extensions thereof as set forth in this Guide.

5. The closing costs, fees and charges, of whatever kind or nature, which were collected from the Mortgagor and from the Participating Lender of the residential property did not exceed the aggregate of (1) the actual amounts expended for continuation of abstract, title insurance, realty transfer fee, attorney's fees, credit reports, surveys, appraiser's fees and filing and recording fees and other fees and charges; (2) the actual amounts paid or escrowed for taxes and insurance; and (3) the application fee, if any, set forth in the applicable Term Sheet.

6. The total discount fees (points) do not exceed the currently allowable limits set forth in the applicable Term Sheet.

7. The note evidencing the Mortgage Loan is a legal, valid and binding obligation of the maker thereof and is enforceable in accordance with its terms, and is secured by a first mortgage lien upon the property. No counterclaim, set-off, defense, or right of recession exists that can be asserted and maintained by the Mortgagor or any successor in interest of the Mortgagor against the Participating Lender or the Agency, as assignee of the Mortgage Loan.

8. The terms of the Mortgage Loan require that, in addition to interest and principal payments on the Mortgage Loan, the equivalent of one-sixth of the estimated annual taxes, assessments and applicable insurance premiums on the mortgaged property are to be paid monthly in advance to the holder or Servicer of the Mortgage Loan.

9. The Mortgage Loan does not exceed 100% of the Property Value or, as applicable, the maximum amount permitted by FHA, VA and/or USDA guidelines, whichever is less.

10. The Mortgage Loan application was taken and the related Firm Commitment to Mortgagor was made after the Starting Date of Program.

11. The Mortgage Loan was made to finance the purchase of an Eligible Property and all improvements so financed have been fully completed or moneys have been placed in escrow therefore.

12. The Mortgage Loan shall have been closed by the Participating Lender or its closing agent.

13. Based upon an inspection made by or on behalf of the Participating Lender, in connection with making the Mortgage Loan, said property is served by properly functioning heating, electrical, and water and septic or sewage systems, is free from material damage, and is in general good repair.

14. The Participating Lender has no knowledge of any improvement on the real property covered by the Mortgage Loan in violation of any laws or regulations affecting the premises included, without limitation, applicable building, zoning and environmental protection laws or regulations.

15. The Participating Lender has no knowledge of Property being damaged by waste, fire, earthquake, windstorm, flood, tornado or other cause.

16. The Participating Lender has no knowledge of any condemnation proceedings being instituted or threatened against the Property.

17. The improvements on the real property securing the Mortgage Loan are covered by a valid and subsisting policy of hazard insurance and flood insurance (if applicable) in an amount sufficient to compensate the Agency for a loss equal to the full amount of the unpaid balance of the Mortgage Loan.

18. The Participating Lender has no knowledge of any facts or circumstances, economic or otherwise, which may have an adverse effect on the credit of the Mortgagor, the prospect of prompt payment of the Mortgage Loan or the value of any security therefore.

19. No Mortgage Loan shall have been made for the purpose of construction financing.

20. The Acquisition Cost of the Property is within the limits established in the Participating Lender Guide, applicable Term Sheet, and/or guidelines.

21. All affidavits, certificates, and other documents required by this Guide and relevant Program Guidelines have been properly executed and are in the possession of Participating Lender.

22. The Participating Lender shall have no reason to believe that any representation or warranty set forth in an Agency-required affidavit is untrue or incorrect.

23. The income of the Mortgagor, determined as set forth in this Guide, is not in excess of the applicable income limit, if any, set forth on the applicable Term Sheet.

B. As of the Purchase Date:

1. To Participating Lender’s best knowledge after due and diligent inquiry, the information set forth in all documents submitted to the Agency, including electronically transmitted documents and data pertaining to each Mortgage Loan, is true and correct as of the date thereof, and will be true as of the Purchase Date.

2. The Mortgage Loan is secured by a valid first lien (or in the case of an Agency down payment or closing cost assistance loan, is secured by a valid second lien) either on the fee simple title to or on a leasehold estate acceptable to the Agency on an Eligible Property.

3. There is no default or delinquency under the terms and covenants of the Mortgage Loan.

4. No payments are past due or unpaid under the Mortgage Loan.

5. All costs, fees and expenses incurred in making, closing, and recording the Mortgage Loan have been paid.

6. No term, covenant or condition of the note evidencing the Mortgage Loan and the mortgage securing the Mortgage Loan has been waived, altered or modified except as consented to in writing by the Agency.

7. The Mortgage Loan is not subject to any existing assignment or pledges; Participating Lender has good title thereto and full right and authority to assign and transfer the same and to endorse and deliver the Mortgage Note to the Agency, free and clear of all encumbrances. The assignment of mortgage or a certified true copy of the assignment of mortgage is required. MERS mortgages are not permitted.

8. The Mortgagor is not more than 15 days delinquent in the payment of any installments of principal, interest or other amount due under the terms of the Mortgage Loan.

9. The Mortgage Loan is covered by a valid and lawfully issued title insurance binder that will become a final policy of title insurance, the benefits of which run to the Agency, on the current standard ALTA title insurance form issued by a title insurer licensed to do business in the State in an amount equal to that of the original principal balance of the Mortgage Loan.

10. All necessary documents have been executed and the Participating Lender has taken all steps to perfect the Agency's legal and record title to, and to protect the Agency's interest in, the Mortgage Loan delivered under the Agreement.

11. The lien of, or estate created by, the Mortgage Loan has not been satisfied, subordinated or impaired, in whole or in part except for payment of principal and interest to the purchase date. No part of any mortgaged property has been released therefrom, other than releases agreed to in writing by the Agency.

12. Immediately prior to the transfer and assignment of the Mortgage Note and related Mortgage, the Participating Lender has good title to and is the sole owner of such Mortgage Loan, and there is not now nor has there been any other sale or assignment thereof, except an assignment for security purposes with the Agency’s consent in connection with a mortgage warehousing financing arrangement.

13. The Mortgage Loan at the time it was made, conformed to all Applicable Laws.

(i) The Real Estate Settlement Procedures Act of 1974;
(ii) The Truth in Lending Act of 1968;
(iii) The Equal Credit Opportunity Act;
(iv) The Fair and Accurate Credit Transaction Act of 2003;
(v) Title VII of the Civil Rights Act of 1968 (also known as the Fair Housing Act);
(vi) The Gramm-Leach-Bliley Act;
(vii) The Helping Families Save their Homes Act of 2009;
(viii) The National Flood Insurance Act of 1968;
(ix) The Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (also known as The SAFE Act);
(x) The USA PATRIOT Act;
(xi) The Dodd-Frank Wall Street Reform and Consumer Protection Act;
(xii) The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA);
(xiii) Enabling legislation and regulations of the Participating Lender's Federal prudential regulator and the Federal Financial Institutions Examination Council (FFIEC), as applicable;
(xiv) Section 143 of the Internal Revenue Code;
(xv) N.J.S.A. Title 17, Corporations and Institutions for Finance and Insurance and administrative rules promulgated thereunder, N.J.A.C. Title 3 (for State- licensed or –chartered lenders) and N.J.A.C. Title 11;
(xvi) The New Jersey Law Against Discrimination, N.J.S.A. 10:5-1 et seq.
(xvii) The New Jersey Consumer Fraud Law, N.J.S.A. 56:8-1 et seq.;
(xviii) The New Jersey Housing and Mortgage Finance Agency Law of 1983, N.J.S.A. 55:14K-1 et seq.;
(xix) N.J.S.A. 43:16A-16.9 through -16.16 (PFRS Mortgage Loan program);
(xx) N.J.S.A. Title 46, Property;
(xxi) N.J.S.A. 19:44A-1 et seq.; and
(xxii) N.J.S.A. Title 52 as relates to Agency contracting.

The above list shall be construed to include any and all laws, regulations, and guidelines applicable to Mortgage Loans during the terms of this Agreement, which are enacted or promulgated subsequent to execution of this Agreement.

14. The Participating Lender has no knowledge of any circumstances or conditions with respect to the Mortgage Loan, the Mortgage, the Property, or the Mortgagor(s) or his/her credit standing that can be reasonably expected to cause prudent private investors in the secondary market to regard the Mortgage Loan as an unacceptable investment, cause the Mortgage Loan to become delinquent, or adversely affect the value or marketability of the Mortgage Loan.

C. As of the Delivery Date

1. Each Assignment of Mortgage, Mortgage, financing statement and any other Trailing Document required to be registered, recorded or filed in a public office to perfect the mortgage lien against third parties has been duly and timely filed, registered or recorded in the proper public office in order to give constructive notice thereof to all subsequent purchasers or encumbrances.

2. The Participating Lender shall have performed and complied with all of the terms hereof required to be performed or complied with by it and the representations and warranties set forth in Chapter 2 hereof are true and correct as of the Delivery Date.

3. The Participating Lender has complied and the Mortgage Loan complies with all the terms, conditions and requirements of this Guide unless any such terms, conditions and requirements shall have been waived by the Agency in writing.

4. The Participating Lender shall submit the recorded documents, other Trailing Documents, and the related Mortgage Loan file prepared in accordance with the Guide and any relevant Term Sheet and guidelines and containing the documents and certificates specified therein within one hundred twenty (120) days of the Purchase Date. The Participating Lender shall also provide such other reports or information regarding the Mortgage Loans being sold by the Participating Lender as may be reasonably requested by the Agency, the Agency's Document Custodian or other such persons or entities as the Agency may designate.

5. With respect to each Mortgage Loan purchased, the Participating Lender shall retain a complete copy of the Mortgage Loan file, containing the Mortgage Documents specified by the Agency, for at least six (6) years after the date the Mortgage Loan is Purchased, or such longer period as may be required by Law or regulation. The Agency shall have the right to request copies of Mortgage Loan files, or to audit such files at the offices of the Participating Lender.

D. ***Acceptance of Payment. By accepting payment for each Mortgage Loan on its respective Purchase Date, the Participating Lender shall be deemed to have represented and warranted that all such conditions of the Agreement and this Guide have been met (as to conditions precedent to purchase) or will have been met (as to conditions subsequent to the purchase) as of the respective benchmarks set forth above.***

10-8: REPURCHASE PROCESS

A. Refer to section 10 of the MPA under “Participating Lender Non-Compliance that May Lead to Repurchase Mortgage for additional Repurchase detail.

1. NJHMFA has the right to demand that the Participating Lender Repurchase Mortgage Loans (and its servicing) for any failure to comply with the requirements of the NJHMFA Guide, GSE/Insurer guidelines and including, but not limited to, Representations and Warranties with respect to fraud, misrepresentation and compliance with all laws and regulations. NJHMFA also has the right to demand Repurchase if Ginnie Mae, Freddie Mac, or any investor requires the Agency to repurchase a Mortgage Loan.

2. If NJHMFA demands that the Participating Lender repurchase a Mortgage Loan, Participating Lender agrees to repurchase the loan for the repurchase price within the established five (5) business days listed in the Repurchase demand.

3. If NJHMFA determines a repurchase demand is necessary, the Participating Lender will receive notification of the demand via email from NJHMFA. If the Participating Lender has not fully remediated the deficiencies within the time and in the manner required by the Agency, the Participating Lender shall be required to immediately repurchase the loan.

4. Upon Participating Lender’s satisfaction of the repurchase, NJHMFA will endorse the Note in blank and will deliver the Note and other required loan documentation to the Participating Lender.

B. Repurchase Price

1. The Repurchase price includes the following:

a. amount equal to the unpaid principal balance of the Mortgage Loan multiplied by the discount percentage paid by the Agency with an adjustment for accrued interest through the last day of the month at the time of Repurchase;

b. plus, the aggregate amount of any advances and interest thereon; plus, an amount equal to any attorney’s fees, legal expenses, court costs or other expenses, including origination fee paid by the Agency as part of the purchase price, incurred by the Agency in connection with the Mortgage Loan and Repurchase thereof.

c. Where applicable, the Repurchase Price shall include all amounts due on any related Agency issued down payment assistance/closing cost subordinate Mortgage Loan.

Chapter 11

POST PURCHASE TRAILING DOCUMENTS

11-1: DELIVERY DEADLINE:

The recorded Trailing Documents are to be received by the Agency within one hundred twenty (120) calendar days from the purchase date of the Mortgage Loan.

If the recorded Trailing Documents are available at the time the Purchase Package is submitted, the Participating Lender may provide to the Agency as indicated on the program-specific HMFA Form 100, the "Purchase Submission Documents Transmittal".

Otherwise, recorded Trailing Documents or items to correct a Trailing Document deficiency error should be attached to a copy of the" Trailing Documents Transmittal" and "Custodial Certification HMFA Form 301".

11-2: DELIVERY:

Send **OVERNIGHT** mail to the following address:

New Jersey Housing and Mortgage Finance Agency
Single Family Division
637 S. Clinton Ave.
Trenton, NJ 08611

Send **REGULAR** mail to the following address:

New Jersey Housing and Mortgage Finance Agency
Single Family Division
P.O. Box 18550
Trenton, NJ 08650-2085

11-3: TRAILING DOCUMENT FILE:
The final documents consist of the items listed below.

A. Original recorded Mortgage:
Original recorded Mortgage and any applicable Riders or Addendums must be sent to NJHMFA in the post purchase package.

B. Original recorded Subordinate Mortgage:
If NJHMFA provided additional financing on the mortgage transaction, the recorded subordinate mortgage(s) must be included post purchase package.

If any other (non-NJHMFA) assistance program was utilized in the transaction for which a lien was secured, a copy of that recorded mortgage is also required, along with any deed covenants if applicable.

C. Assignment of Mortgage:

If the documents are not recorded at the same time, the recorded assignment of Mortgage must reference the mortgage book and page numbers or the recorded instrument number within the body of the assignment. A legal description of the property must be attached.

D. Mortgage Insurance/Guarantee Certificate:

An original or legible copy of the VA Loan Guarantee Certification (LGC) or the FHA Mortgage Insurance Certification (MIC), whichever applies, must be provided. Only an original of the USDA Loan Note Guarantee (LNG) will be accepted.

E. FHA Connection – HUD Holder/Servicer Transfer

The HUD Holder/Servicer in the FHA Connection System must be transferred to reflect the Agency and the Agency's designated Servicer. Proof of the transfer must be provided.

F. Mortgage Modification:

A recorded mortgage modification, if any, should be submitted when applicable.

G. Servicing Transfer Letter:

A servicing transfer letter that complies with the content and timing requirements of Applicable Laws must be submitted with the Final Documents if not already submitted at a prior point in the Mortgage Loan process.

H. Final Title Policy:

The final title policy should be in a form acceptable to the Agency as set forth in Chapter 8 and be reflective of all liens of record that are the subject of the Mortgage Loans in the transaction and contain all necessary endorsements to perfect the Agency's interest in the Property.

Final Title Policy may not include exceptions that subject the Lender or NJHMFA to risk associated with any liens on the property or the use of a Power of Attorney related to the mortgage documents or closing documents.

11-4: MISSING DOCUMENTS REPORT:

NJHMFA or its authorized designee will generate a loan-level report that advises the Participating Lender of missing items or deficiencies discovered upon review of the Trailing Documents. The Participating Lender must correct all final document deficiencies and submit all such corrections so that they are received by NJHMFA or its authorized designee, as applicable, prior to the deadline.

Chapter 12

PARTICIPATING LENDER NON-COMPLIANCE: BREACH, REMEDIES AND REPURCHASE

12-1: PARTICIPATING LENDER NON-COMPLIANCE THAT MAY LEAD TO FEES

A. As set forth in Chapter 6, Rate Lock Policy and Pipeline Management, the Agency will assess fees on the Participating Lender for the late delivery of complete, properly stacked Mortgage Loan documents.

1. **Servicing Submissions:**
   Complete and timely loan packages including servicing set-up packages, must be submitted as set forth on the applicable document checklist. Wiring instructions are to be included in the Purchase Package. Failure to meet delivery times may result in temporary suspension from the ILRS and the imposition of additional fees. ***Obtaining the necessary extensions and paying the fees therefor are the sole responsibility of the Participating Lender.***

2. **Other Submission Documents:**
   NJHMFA will charge an extension fee for the late delivery of closed loan packages. Failure to remit fees due may affect the Participating Lender's approval to participate in NJHMFA loan origination activities.

B. Unless otherwise expressly provided, no remedy herein conferred upon or reserved to any party is intended to be exclusive of any other available remedy, but each remedy shall be cumulative and shall be in addition to other remedies given under the Mortgage Purchase Agreement or existing at law or in equity. No delay or omission to exercise any right or power accruing under the Mortgage Purchase Agreement shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient.
No action or inaction by the Agency shall constitute a waiver of any of the Agency's rights with respect to the transactions subject to the Mortgage Purchase Agreement.

12-2: PARTICIPATING LENDER NON-COMPLIANCE THAT MAY LEAD TO REPURCHASE

Mortgage Loan Non-Compliance – Failure or Inability to Cure:
The Agency may issue a Repurchase demand for any non-compliant Mortgage Loan for an amount equal to the then unpaid principal balance of such Mortgage Loan, plus accrued interest and costs incurred by NJHMFA, and any service release premium paid to the Participating Lender for the subject Mortgage Loan. If the Agency requires Repurchase on a Mortgage Loan provided to a particular Borrower, that Repurchase demand will also apply any Agency down payment and closing cost assistance subordinate Mortgage Loans issued to that Borrower. The bases for Repurchase include, but are not limited to:

A. NJHMFA reserves the right to have the Participating Lender Repurchase Mortgage Loans that have not been originated in compliance with Applicable Laws, the Mortgage Purchase Agreement, this Guide, and/or applicable Term Sheets, guidelines, rules and regulations, or for which required documentation has not been submitted to NJHMFA or its agent(s) within the required time frame. Repurchase of loans may be required based on non-compliance with Federal tax-exempt bond requirements, non-compliance with critical underwriting or closing requirements, and CFPB requirements. In addition, failure to provide critical documents including, but not limited to, those required for tax-exempt bond compliance, applicable mortgage insurance, guaranty certificate, and critical documents related to the security of the Mortgage Loan (e.g., Mortgage Note, Mortgage, or title policy) may also require Repurchase. Failure to obtain applicable mortgage insurance or guaranty and/or submit the MIC or guaranty evidencing such insurance or guaranty may result in the required Repurchase of the Mortgage Loan by the originating Participating Lender.

B. If the Participating Lender failed to comply with Applicable Laws as to a particular Mortgage Loan, the Agency will require Repurchase.

C. NJHMFA will require Repurchase of any Mortgage Loan for which any Borrower, and/or Co-Signor and/or any other party to the Mortgage Loan transaction has made, with the knowledge of the Participating Lender, any misrepresentation or misstatement of a material fact in any document related to the Mortgage Loan or any misrepresentation of a material fact by the Participating Lender.

D. NJHMFA will require Repurchase of any Mortgage Loan for which the Participating Lender amends, modifies, or incorrectly reproduces NJHMFA documents, or utilizes any document that does not comply with Applicable Law or the requirements of the applicable mortgage insurer/guarantor and NJHMFA, in its discretion, determines that such incorrect form affects the Mortgage Loan's legality, validity, security, or compliance with Applicable Laws.

E. A Repurchase demand will be made for any Mortgage Loan that, within 120 days or less from the Agency's purchase of the Mortgage Loan, becomes two or more months in arrears as to payment of principal and interest or otherwise goes in default, which after any required notice and any cure period, would give NJHMFA the right to foreclose.

F. If the Property is not free and clear of liens, encumbrances or claims by third parties, or otherwise lacks good title, and the Participating Lender fails to or cannot cure such deficiency, the Agency will require Repurchase.

If the liens of the Mortgage Loans are not valid first liens as to any purchase money or refinance Mortgage Loan and valid second lien as to any Agency down payment or closing cost subordinate Mortgage Loan, the Agency may require that the Participating

Lender Repurchase the Loans if the Participating Lender does not or cannot timely cure such deficiency.

G. If any representation shall prove to be inaccurate when made by the Participating Lender or in the event of any breach of covenant or warranty by the Participating Lender, and/or the Participating Lender fails to deliver all required documents within the required time period established in this Guide, the Agency will require Repurchase of all Mortgage Loans affected by that inaccuracy, breach, and/or failure.

H. The Participating Lender fails to submit a complete Mortgage Loan file to the Agency, or if any material defect or inaccuracy cannot be cured to the satisfaction of the Agency within the sixty (60) day period, or such shorter period set forth in this Guide with respect to a particular defect or inaccuracy.

I. Ginnie Mae or any Investor requires the Agency to repurchase a Mortgage Loan.

J. Calculation of Amounts Due Through Repurchase Price and Procedure:

1. The Participating Lender will Repurchase any Mortgage Loan within five business days of demand, in an amount equal to the unpaid principal balance of the Mortgage Loan multiplied by the discount percentage paid by the Agency with an adjustment for accrued interest at the time of repurchase, plus the aggregate amount of any advances and interest thereon, plus an amount equal to any attorney's fees, legal expenses, court costs or other expenses, including the fee paid by the Agency as part of the purchase price, incurred by the Agency in connection with such Mortgage Loan and the Repurchase thereof. The purchase price of any Mortgage Loan Repurchased pursuant to this Section will not include an origination fee.

2. The Repurchase price of the Mortgage Loan shall be remitted by the Participating Lender to the Agency, and the Agency shall assign and deliver the related Mortgage Documents to the Participating Lender, and execute and deliver such instruments of transfer or assignment, in each case without recourse, as shall be necessary to vest in Participating Lender such Mortgage Loan. **The Participating Lender hereby waives any statute of limitation or other Law that might otherwise be raised in defense to any Repurchase obligation hereunder.**

K. If the Participating Lender has been required to Repurchase a Mortgage Loan pursuant to this Section, the Participating Lender may reoffer that Mortgage Loan for sale to the Agency if all deficiencies causing the Repurchase have been cured.

L. Unless otherwise expressly provided, no remedy herein conferred upon or reserved to any party is intended to be exclusive of any other available remedy, but each remedy shall be cumulative and shall be in addition to other remedies given under the Mortgage Purchase Agreement or existing at law or in equity. No delay or omission to exercise any right or power accruing under the Mortgage Purchase Agreement shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. No action or inaction by the Agency shall constitute a waiver of any of the Agency's rights with respect to the transactions subject to the Mortgage Purchase Agreement.

M. **Indemnification:** If Lender indemnifies a loan with a GSE or Insurer, they must immediately notify NJHMFA of the indemnification.

12-3: PARTICIPATING LENDER NON-COMPLIANCE THAT CAN RESULT IN TERMINATION OF THIS AGREEMENT

A. NJHMFA has the right to terminate immediately upon electronic mail delivery of a written notice, the Participating Lender's authority to participate as a NJHMFA Participating Lender upon the happening of any of the following:

1. The Participating Lender violates any provision of Applicable Laws, the Mortgage Purchase Agreement, this Guide, applicable Term Sheets and/or guidelines;

2. Any representation, covenant or warranty in the Mortgage Purchase Agreement made by the Participating Lender to the Agency fails to be true and accurate in all material respects;

3. The Participating Lender fails to comply in all respects with its obligation to meet and maintain the financial requirements required by the Agency;

4. Failure of the Participating Lender to duly observe or perform in any material respect any covenant, condition, or agreement under Applicable Laws or in the Mortgage Purchase Agreement, this Guide, or any relevant Term Sheet or program guidelines.

5. Failure of the Participating Lender to repurchase a Mortgage Loan or to correct defects or deficiencies with respect to Mortgage Loans in accordance with the Mortgage Purchase Agreement, this Guide, or any relevant Term Sheet or program guidelines.

6. Appointment of a conservator, receiver, or liquidator in any insolvency, readjustment of debt, marshalling of assets and liabilities, or similar proceeding of a court, agency, or supervisory authority having jurisdiction over the Participating Lender, affecting the Participating Lender or substantially all of its assets, or for the winding-up or liquidation of its affairs.

7. Consent by the Participating Lender to the appointment of a conservator, receiver, or liquidator in any insolvency, readjustment of debt, marshalling of assets and liabilities, or similar proceeding affecting the Participating Lender or substantially all of its assets.

8. Admission in writing by the Participating Lender of its inability to pay debts generally as they mature, or the filing of a petition to take advantage of any applicable bankruptcy or insolvency statute, or the making of an assignment for the benefit of creditors.

9. The Participating Lender is required to file a capital plan pursuant to the provisions of the Financial Institutions Reform, Recovery and Enforcement Act of 1989, as amended from time to time;

10. The filing of an involuntary petition in bankruptcy against the Participating Lender;

11. NJHMFA receives notice of a planned sale or transfer of a majority ownership interest, merger, consolidation or change in legal structure of the Participating Lender, unless NJHMFA approves in writing the change;

12. The Participating Lender is not authorized to originate or sell Mortgage Loans.

13. The Participating Lender's Federal prudential regulator, the New Jersey Department of Banking and Insurance or anybody thereof, HUD and/or the CFPB issue adverse findings and/or penalties against the Participating Lender or the Participating Lender enters into a settlement with such body to resolve pending investigation or proceeding, even if the Participating Lender does not admit fault or liability;

14. The Participating Lender is suspended or debarred from doing business with the Agency, the State or the Federal Government;

15. The Participating Lender is not or has lost its qualification or endorsement to issue Fannie Mae, Freddie Mac, Ginnie Mae, FHA, VA, and/or USDA products;

16. The Agency's quality control review routinely results in findings that the Participating Lender must correct;

17. The Participating Lender is required to Repurchase more than six (6) Mortgage Loans within the term of the Mortgage Purchase Agreement; and/or

18. Agency Staff determine that the Participating Lender has a significantly high fallout ratio that disrupts the Agency's ability to offer competitive pricing.

B. If any of the events specified in subsection A. occur, the Participating Lender will give written notice thereof to NJHMFA's Manager of Business Development within 48 hours after the happening of such event. Upon such notice pursuant to this Section, effective immediately, the rights of the Participating Lender and its rights to compensation hereunder shall terminate.

C. In the event of a termination pursuant to this Section, all Mortgage Loan files and all funds on deposit in connection with the Mortgage Loans shall be immediately transferred to the Agency or to such party as directed by the Agency, and a final accounting shall be made as to all funds received by the Participating Lender. Should the Participating Lender fail to immediately transfer the files or funds, the Agency may obtain access to the Participating Lender's premises or wherever the files or funds are located in order to take physical possession of same. All costs and expenses incurred by the Agency pursuant to this Section shall be paid or reimbursed by the Participating Lender, or set off by the Agency against any funds otherwise due to the Participating Lender pursuant to the Mortgage Purchase Agreement.

D. If the Agency determines that the Participating Lender has failed to perform under any provision of the Mortgage Purchase Agreement then the Agency, its authorized designee, Investor, Trustee, or document custodian, as the case may be, shall be reimbursed by the Participating Lender, on demand, for reasonable attorneys' fees and other out-of-pocket costs and expenses, including all costs of litigation, if necessary, to enforce the Agency's rights.

E. The Agency, its authorized designee, document custodian or any Trustee and/or Investor, will not be liable in any respect for the termination of the Participating Lender pursuant to this Section.

F. NJHMFA may also terminate the Participating Lender's authority to participate as a NJHMFA Participating Lender, with or without cause, upon thirty days written notice to the Participating Lender.

G. If the Participating Lender fails to follow the procedures set forth in the Mortgage Purchase Agreement and in this Guide in any material respect, the Agency may at any time terminate the Mortgage Purchase Agreement without refunding to the Participating Lender any portion of the commitment fee. In such event, the Participating Lender shall promptly deliver to the Agency the loan file for each applicant for a Mortgage Loan, as well as the reservation fees, if any, paid by each applicant.

H. Unless otherwise expressly provided, no remedy herein conferred upon or reserved to any party is intended to be exclusive of any other available remedy, but each remedy shall be cumulative and shall be in addition to other remedies given under the Mortgage Purchase Agreement or existing at law or in equity. No delay or omission to exercise any right or power accruing under the Mortgage Purchase Agreement shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. No action or inaction by the Agency shall constitute a waiver of any of the Agency rights with respect to the transactions subject to the Mortgage Purchase Agreement.

12-4: ADDITIONAL AGENCY REMEDIES.

In addition to the remedies set forth above with respect to particular instances of Participating Lender non-compliance, the Agency reserves the right to seek the following remedies as the Agency deems appropriate under the circumstances.

A. The Participating Lender shall be liable to the Agency for any damages, including, without limitation, costs and attorney's fees, suffered by the Agency by reason of the inaccuracy of any representation made or the breach of any covenant or warranty made by the Participating Lender in connection with the transactions contemplated under the Mortgage Purchase Agreement.

B. The Participating Lender agrees to indemnify and hold the Agency and any of its designees, trustees, and/or Investors harmless from any and all claims, demands, losses, costs, curtailments, penalties, damages, and expenses (including reasonable attorney's or accounting fees) that they may incur with respect to the origination of Mortgage Loans by the Participating Lender pursuant to the Mortgage Purchase Agreement, including, but not limited to, the Participating Lender's noncompliance with Applicable Laws, the Mortgage Purchase Agreement, this Guide, or any applicable Term Sheet or program guidelines; defective Mortgage Loan submissions; delivery of files, recording and/or delivery of Mortgage Documents; transfer of all escrows or other funds due and owing the Agency; or noncompliance with any Laws, regulations or directives pertaining to the origination of Mortgage Loans, consumer protection, discriminatory practices, or criminal activity.

C. Seek that the Participating Lender be suspended from contracting with the Agency.

D. Debar the Participating Lender from contracting with the Agency.

E. Unless otherwise expressly provided, no remedy herein conferred upon or reserved to any party is intended to be exclusive of any other available remedy, but each remedy shall be cumulative and shall be in addition to other remedies given under the Mortgage Purchase Agreement (MPA) or existing at law or in equity. No delay or omission to exercise any right or power accruing under the Mortgage Purchase Agreement shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. No action or inaction by the Agency shall constitute a waiver of any of the Agency's rights with respect to the transactions subject to the MPA.

Chapter 13
MISCELLANEOUS REQUIREMENTS

13-1: WAIVERS:

A. Any party desiring a waiver or release from any of the requirements of this Guide may submit a written request to Agency Staff to the attention of the Manager of Business Development detailing the waiver requested and the basis therefor.

B. Waivers may be granted only by Designated Agency Staff if requested in writing, in advance, and:

1. when such waiver would not contravene the provisions of Applicable Laws or the funding source the Agency will use to purchase the Mortgage Loan;
2. when the waiver would not present an unacceptable investment risk to the Agency or any subsequent purchaser of the Mortgage Loan in the secondary market; and
3. upon finding that, in granting the waiver, the Mortgage Loan will be promoting the statutory purposes of the Agency.

C. Because the time frame in which residential real estate purchases must proceed, time is of the essence and the Participating Lender must provide the waiver request as soon as the Participating Lender becomes aware of the need therefor in order for the Mortgage Loan to qualify for the Agency purchase. In no event will a waiver be considered after the Purchase Date.

D. No waiver will be deemed granted unless authorized Agency Staff have expressly granted such waiver, in writing.

E. The granting of a waiver for one Mortgage Loan does not bind the Agency to grant that waiver or otherwise release the Participating Lender from satisfying the waived requirement for any other Mortgage Loan.

13-2: ADVERTISING STANDARDS:

Newspaper, radio or television advertising can be an excellent method of informing the public of the availability and benefits of the NJHMFA loans. Certain guidelines are required by the NJHMFA for such advertisements as follows:

A. Materials published on the Agency website may be used to advertise the respective programs without any Agency approval, as long as those materials are reproduced, in a visual format either electronically or in hard copy exactly as published by the Agency with **NO ALTERATION except to add the Equal Housing Opportunity symbol and to state that the Participating Lender is an equal housing opportunity lender. Any other changes and/or any other advertisements, in any format, that are subject to Applicable Law must be pre-approved by Agency Staff before use. Failure to abide by the requirements of this Section may affect the Participating Lender's ongoing approval to originate Mortgage Loans for sale to the Agency.**

B. In addition to meeting the requirements of A., any advertisements created by the Participating Lender must not be discriminatory, predatory, unfair, abusive, or deceptive.

C. Agency approval of any advertisements will not release the Participating Lender from any liability arising from Participating Lender-created advertising of Agency Mortgage Loan products.

APPENDIX I

HOMEWARD BOUND/MBS – FIRST MORTGAGE PURCHASE PROGRAM

Form No.	***Form Title***
HMFA-99 (MBS-HB)	NJHMFA Underwriting Submission Checklist – Homeward Bound *Participating Lender to furnish to the Agency's authorized post closing review designee with their underwriting file as set forth in the Checklist* ***NOTE: If a Smart Start Loan is required for the First Mortgage Program, the appropriate Smart Start Checklists are also required as set forth in this Appendix***
HMFA-100-(MBS-HB)	NJHMFA Purchase Review Submission Checklist & Instructions– Homeward Bound Program)
HMFA-301	Collateral Document Transmittal and Custodial Certification – *for submission of Trailing and Collateral Documentation*

STAY AT HOME/MBS – STREAMLINE REFINANCE

Form No.	***Form Title***
HMFA-99 (MBS-SH)	NJHMFA Underwriting Submission Checklist –Stay at Home Streamline Refinance Program Underwriting Submission Checklist – *Participating Lender to furnish to the Agency's authorized post closing review designee with their underwriting file as set forth in the Checklist.*
HMFA-100-(MBS-SH)	NJHMFA Purchase Review Submission Checklist & Instructions– Stay at Home Streamline Refinance Program)
HMFA-301	Collateral Document Transmittal and Custodial Certification – *for submission of Trailing and Collateral Documentation*

DOWN PAYMENT ASSISTANCE PROGRAMS

Form No.	***Form Title***
HMFA-99 (SS)	NJHMFA Prior Approval Underwriting Submission Checklist –Smart Start Loan Program
HMFA-100 (SS)	NJHMFA Purchase Review Submission Checklist & Instructions – Smart Start Loan Program
SS-01	FHA Smart Start Award Letter
SS-02	Smart Start Note
SS-03	Smart Start Mortgage
HMFA-301	Collateral Document Transmittal and Custodial Certification – *for submission of Trailing and Collateral Documentation*

POLICE AND FIREMEN'S RETIREMENT SYSTEM PROGRAM -

Form No.	*Form Title*
PFRS-001	Addendum to Mortgage Purchase Agreement
PFRS-002	Mortgage Rider
PFRS-003	Loan Applicant's Certification
PFRS-004	Lender Certification
PFRS-005	Verification of PFRS Membership
PFRS-006	Notice to Applicant of Potential Adverse Tax Consequences
PFRS-007	PFRS Statutory Requirements Disclosure (Loan Estimate)
PFRS-008	PFRS Statutory Requirements Disclosure (Closing Disclosure)
PFRS-009	Non-Assignability Statement and Disclosure to Non-PFRS Members Who Sign the Mortgage
PFRS-010	PFRS Assignment of Mortgage Template
PFRS-011	PFRS Purchasing Transmittal
HMFA-99 (PFRS)	NJHMFA Underwriting File Transmittal Form – Police and Firemen's Retirement System Mortgage Loan Program
HMFA-100 (PFRS)	NJHMFA Purchase Review Submission Checklist & Instructions – Police and Firemen's Retirement System Mortgage Loan Program
HMFA-QC-801	Re-Verification of Credit Info
HMFA-301	Collateral Document Transmittal and Custodial Certification – *for submission of Trailing and Collateral Documentation*

GOVERNMENT INSURED/GUARANTEED LOANS - As applicable to the transaction and Agency loan program

Form No.	*Form Title*
26-1899	VA Loan Guaranty Certificate and Transfer
26-1820	VA Certification of Loan Disbursement
N/A	VA Nearest Living Relative Form
RD 1980-18	USDA Conditional Commitment
RD 1980-19	USDA Guaranteed Loan Closing Report
RD 1980-17	USDA Loan Note Guarantee

FIRST TIME HOMEBUYER/ MRB

Form No.	***Form Title***
HMFA-0016	NJHMFA Mortgage Condominium Warranties (where applicable)
HMFA – 99 (FTHB)	NJHMFA Underwriting File Transmittal Form – First Time Homebuyer Program
HMFA-100 (FTHB)	NJHMFA Purchase Submission Documents Transmittal – First Time Homebuyer Program
HMFA-101	Mortgage Schedule
HMFA-142	NJHMFA Assignment of Mortgage
HMFA-161	Property Seller's Affidavit
HMFA-300	Mortgagor's Affidavit
HMFA-301	Custodial Certification
HMFA-306	NJHMFA – Residential Loan Reservation Acknowledgement
HMFA-520	Notice to Mortgagor of Potential Federal Recapture Tax –*Please see the Agency Website for current documentation requirements for this Loan Program*
HMFA-612	HMFA 1-4 Family Tax-exempt Financing Rider- *Please see the Agency Website for current documentation requirements for this Loan Program*

SEE APPLICABLE PROGRAM CHECKLISTS ON THE AGENCY WEBSITE FOR ADDITIONAL REQUIRED FORMS AND DIRECTION. ADDRESSES FOR SUBMISSION OF PURCHASE PACKAGES ARE LISTED IN PROGRAMMATIC ORDER IN THE SUMMARY OF ADDRESSES AND CLAUSES FOUND IN THIS GUIDE.

APPENDIX II – APPLICABLE LAWS

APPLICABLE LAWS are: all applicable laws, regulations, administrative rules, executive orders and official guidance of the State, Federal government, and/or any other jurisdiction that regulate the issuance of Mortgage Loans in the State, including, without limitation, the Participating Lender's ability to originate the financing; requirements of the Agency's funding sources upon assumption of the Mortgage Loans; and/or provide for consumer and/or investor protection in the advertisement, application, obtaining, and servicing of the Property financing:

(1) The Real Estate Settlement Procedures Act of 1974;
(2) The Truth in Lending Act of 1968;
(3) The Equal Credit Opportunity Act;
(4) The Fair and Accurate Credit Transaction Act of 2003;
(5) Title VII of the Civil Rights Act of 1968 (also known as the Fair Housing Act);
(6) The Gramm-Leach-Bliley Act;
(7) The Helping Families Save their Homes Act of 2009;
(8) The National Flood Insurance Act of 1968;
(9) The Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (also known as The SAFE Act);
(10) The USA PATRIOT Act;
(11) The Dodd-Frank Wall Street Reform and Consumer Protection Act;
(12) The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA);
(13) Enabling legislation and regulations of the Participating Lender's Federal prudential regulator and the Federal Financial Institutions Examination Council (FFIEC), as applicable;
(14) Section 143 of the Internal Revenue Code;
(15) N.J.S.A. Title 17, Corporations and Institutions for Finance and Insurance and administrative rules promulgated thereunder, N.J.A.C. Title 3 (for State- licensed or –chartered lenders) and N.J.A.C. Title 11;
(16) The New Jersey Law Against Discrimination, N.J.S.A. 10:5-1 et seq.
(17) The New Jersey Consumer Fraud Law, N.J.S.A. 56:8-1 et seq.;
(18) The New Jersey Housing and Mortgage Finance Agency Law of 1983, N.J.S.A. 55:14K-1 et seq.;
(19) N.J.S.A. 43:16A-16.9 through -16.16 (PFRS Mortgage Loan program);
(20) N.J.S.A. Title 46, Property;
(21) N.J.S.A. 19:44A-1 et seq.; and
(22) N.J.S.A. Title 52 as relates to Agency contracting.

SUMMARY OF ADDRESSES, CLAUSES, and CONTACTS

DELIVERY OF ORIGINAL COLLATERAL:

Program Type	Address for Overnight Carrier Delivery	Address for Regular Mail
First Time Homebuyer (MRB)	NJHMFA 637 So. Clinton Avenue Trenton NJ 08611 609-278-7400	NJHMFA 637 So. Clinton Avenue P.O. Box 18550 Trenton NJ 08650-2085 609-278-7400
PFRS Purchase or Refinance	NJHMFA 637 So. Clinton Avenue Trenton NJ 08611 609-278-7400	NJHMFA 637 So. Clinton Avenue P.O. Box 18550 Trenton NJ 08650-2085 609-278-7400
Homeward Bound (MBS)	NJHMFA 637 So. Clinton Avenue Trenton NJ 08611 609-278-7400	NJHMFA 637 So. Clinton Avenue P.O. Box 18550 Trenton NJ 08650-2085 609-278-7400
Stay at Home (MBS) Streamline Refinance Includes: VA Interest rate Reduction Refinancing Loan (RRRL)	Titan Lenders 5353 West Dartmouth Avenue Suite 50 Denver CO 80227 720-279-7278	Titan Lenders Corp. 5353 West Dartmouth Avenue Suite 50 Denver CO 80227 720-279-7278
Down Payment Assistance Loans Smart Start	NJHMFA 637 So. Clinton Avenue Trenton NJ 08611 609-278-7400	NJHMFA 637 So. Clinton Avenue P.O. Box 18550 Trenton NJ 08650-2085 609-278-7400

SUMMARY OF ADDRESSES, CLAUSES, and CONTACTS

CLAUSES/VESTING INFORMATION

HOMEOWNER'S INSURANCE First Mortgagee Clause on all Insurance Polices All First Mortgage Loan Programs	**New Jersey Housing and Mortgage Finance Agency, ISAOA, ATIMA c/o Central Loan Administration & Reporting P.O. Box 202028 Florence, SC 29502-2028**
FLOOD INSURANCE Life of Loan flood determinations are required on every NJHMFA Loan. The LOL Certificate should list the insured as:	**New Jersey Housing and Mortgage Finance Agency, ISAOA, ATIMA c/o Central Loan Administration & Reporting P.O. Box 202028 Florence, SC 29502-2028**
ASSIGNMENTS OF MORTGAGE Includes First Time Homebuyer, Homeward Bound, Stay at Home and where Applicable: Smart Start Loans	**Vest to: New Jersey Housing and Mortgage Finance Agency 637 South Clinton Avenue P.O. Box 18550 Trenton NJ 08650-2850**
ASSIGNMENTS OF MORTGAGE (PFRS)	**Vest to: Police and Firemen's Retirement System Board of Trustees by its Administrative Agent New Jersey Housing and Mortgage Finance Agency**

SUMMARY OF ADDRESSES, CLAUSES, and CONTACTS

NJHMFA GENERAL CONTACTS	
ILRS issues, Reservation Amendments or Cancel Requests, First Time Homebuyer, PFRS and Smart Start Loan Submissions	SFLenders@njhmfa.gov
Participating Lenders/Training Inquiries	SFLenders@njhmfa.gov
Underwriting Issues/Questions	Manager of Single Family Mortgage Fulfillment
Purchase Issues/Questions	Manager of Post-Closing Mortgage Operations
Quality Control Issues	Quality Control Manager
Trailing/Collateral Document Issues	Manager of Loan Securitization
General Email Inquiries	Manager of Business Development

ADDITIONAL GENERAL CONTACTS	
Sub-Servicer	CENLAR, FSB Central Loan Administration & Reporting 425 Phillips Boulevard Ewing NJ 08618 Toll Free: 1(800)2CENLAR (1-800-223-6527) Hours: 8:30 am – 8:00 pm
Payment Address:	Cenlar FSB P.O. Box 11733 Newark NJ 0710-4733
Tax Authorization Letter	CoreLogic 1 CoreLogic Way Westlake TX 76161
HUD Notices	FHA#30084