

**CHOICE 2009 PROGRAM GUIDELINES**

Revised: December 16, 2008

<p><b>Program Overview</b></p>	<p>CHOICE is the Agency’s comprehensive financing program for the development of newly constructed and substantially rehabilitated homeownership housing in New Jersey. The program features below-market interest rate construction loans and construction subsidy funding for developers as well as favorable end loan financing for eligible homebuyers. CHOICE aims to promote both viable and affordable markets as needed in urban and suburban municipalities while also enabling opportunities for workforce and middle-income homeownership.</p>
<p><b>Eligible Applicants</b></p>	<p>Eligible applicants are legally recognized for-profit developers and nonprofit developers with demonstrated housing development capacity. Joint ventures involving legally recognized for-profit and nonprofit entities are also eligible applicants, but at least one of the major entities in the joint venture must demonstrate housing development experience/capacity. CHOICE Program Guidelines applicable to nonprofit developers may be applicable to joint ventures if the nonprofit entity is to receive at least 15% of the developer fee and provides a meaningful contribution to the project or may attain greater development capacity through the experience.</p> <p><u>Milestone Requirements:</u> For-profit developers or nonprofit developers with prior projects awarded Agency for-sale construction financing may apply for CHOICE 2009 financing provided these projects have met the following milestone requirements:</p> <ul style="list-style-type: none"> <li>- if the financing closed in or before 2005, projects must be 100% complete, with audits and recorded documents received by and acceptable to Agency;</li> <li>- if the financing closed in 2006, projects must be 80% complete, with at least 80% of the units under contract of sale to purchasers with mortgage commitments;</li> <li>- if the financing closed in 2007, projects must be 60% complete, with at least 60% of the units under contract of sale to purchasers with mortgage commitments;</li> <li>- if the financing was committed but not yet closed in any year including 2008, projects must have met conditions outlined per Agency Board approval.</li> </ul>
<p><b>Eligible Property Locations and Eligible Unit Types</b></p>	<p>All properties to be developed (including the conversion of nonresidential properties) must be located in an Emerging Market municipality identified by the Agency or be located in a legally-designated redevelopment area in any other Smart Growth area/municipality of the state.</p> <p>Eligible types of units that may be developed include newly constructed and/or substantially rehabilitated one-family dwellings that are developed as fee simple units, condominium units or planned unit developments (PUDs).</p> <p>Eligible types of units that may be developed also include newly constructed and/or substantially rehabilitated two-family dwellings (where one unit is owner-occupied and the other unit is rental) in Agency-designated Urban Target Areas.</p> <p>Mixed-use properties that include eligible one-family dwellings may apply for CHOICE financing on behalf of the residential units only, provided that no more than 25% of the project is non-residential. There must be a separate source of funds for the entire non-residential portion of the project and the development costs and sources of funds for the non-residential portion must be approved by the Agency and the Lead Lender (defined below).</p> <p>Scattered sites projects must be contained within an approximate ¼ mile radius of the most central site (subject to Agency staff review and determination of the potential impact of project).</p> <p>Age-restricted units are not eligible for CHOICE 2009 financing.</p>
<p><b>Lead Lender Involvement and the Intercreditor Agreement</b></p>	<p>For each CHOICE project, the Agency typically provides 50% of the approved construction loan required to complete the project with the balance of the loan provided by the applicant’s chosen private construction lender (herein after "Lead Lender"). Consequently, the Agency shall execute an Intercreditor Agreement with the Lead Lender and, in conjunction with these CHOICE Program Guidelines, shall have the Lead Lender simultaneously review the developer’s CHOICE application upon its submission to the Agency, assist in determining the developer’s capacity, analyze real estate sales comparables for the proposed project units, preliminarily underwrite the project and provide to the Agency a Term Sheet serving as a conditional letter of interest for construction lending prior to any Agency financing commitments. The Lead Lender shall then, in conjunction with the Agency’s staff review, underwrite the</p>

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	<p>total construction loan including ordering an appraisal (which confirms viable sales prices), approve final project plans and specifications, provide the development budget, sales prices and funding source documentation to the Agency for approval prior to closing, make progress inspections, approve draw requests, handle construction period servicing and disburse the CHOICE construction loan and subsidy funds (except for the required subsidy retainage, which will be disbursed by the Agency directly to the Sponsor).</p>
<p><b>Types of Financing Available</b></p>	<p><b><u>CHOICE Construction Loan:</u></b>                  The maximum construction loan shall not exceed 90% of the appraised value of the completed project. While the Agency and the Lead Lender typically contribute an equal percentage of the final construction loan amount approved for the project, the construction loan is administered as one loan and the Agency and the Lead Lender's participation are secured by separate pari passu first mortgages and notes of equal lienhold status. At time of closing, the Agency will set a floating interest rate on its portion of the loan that is 2 points below the interest rate offered by the Lead Lender on its portion of the loan (with the Agency having a floor of 1 point under the prime rate). The total construction loan amount will be provided at the blended Agency/Lender interest rate. The construction loan term shall be co-terminus and shall not exceed 24 months from the date a construction loan agreement is executed by the borrower and Lead Lender. Any Agency-approved extension of the construction loan term will be subject to a fee equal to ¼ point calculated on the Agency construction loan amount.</p> <p><b><u>CHOICE Subsidy Funding:</u></b>                  As explained further in these guidelines for eligible project types, the Agency provides CHOICE subsidy funds for the development of Low-income, Moderate-income and Emerging Market units. Each project's subsidy amount shall be provided as a second lien secured by a mortgage, with the mortgage lien partially discharged as each completed unit is sold. Any intervening liens or encumbrances must be pre-approved by the Agency in the form of Agency Board approval. CHOICE subsidy may only be provided in conjunction with a CHOICE Construction Loan.</p> <p><b><u>End Loans for Homebuyers:</u></b>                  For all projects, the Agency makes favorable end loan financing available to eligible buyers of CHOICE-financed units. The Agency's maximum 100% Financing Program amount per project will be 50% of all units or 25 units, whichever is greater. This program does not require a down payment or private mortgage insurance and may finance certain closing costs. Borrowers are required to have sufficient liquid assets to pay escrows at time of application (approximately \$800). The interest rate for each of these 100% Financing Program loans will be based on the interest rate available at the time of homebuyer application. The Agency shall originate the 100% Financing Program loans unless homebuyers request otherwise, in which case the Agency shall refer homebuyers to specific lenders approved by the Agency. Other types of Agency end loan mortgages are available to CHOICE homebuyers.</p> <p>No CHOICE financing may be used to develop or support lease-purchase units.</p>
<p><b>Developer Equity</b></p>	<p>All developers must contribute a minimum of 10% equity to the project, and equity shall be the first money spent on or (in the case of nonprofit developers, see below) credited to the project before any release of construction loan proceeds and, if applicable, subsidy funding. The total development cost for each project or each specified phase of a project, less the developer fee, shall be used to determine the minimum equity requirement.</p> <p>Acceptable equity sources include:</p> <ul style="list-style-type: none"> <li>■ Approved pre-development costs shown in the development budget which are documented as already paid for by the applicant and that will not be reimbursed from any CHOICE financing/funding. Eligible pre-development costs for purposes of calculating the equity include: site acquisition (Lead Lender/Agency-approved as-is value of property), survey, environmental studies, architect, Lead Lender-required appraisal, legal and engineering fees. Other equity-qualifying costs will be considered on a project basis. All third party fees must be reasonable for the scope and cost of the project.</li> <li>■ Other approved non-CHOICE sources of funding that are allowed to be used as equity, do not require developer repayment from the project budget, are confirmed as available by the Lead Lender and are used to pay towards specific line items in the development budget.</li> <li>■ Cash to pay towards specific line items in the development budget. Cash must be confirmed as</li> </ul>

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	<p>available by the Lead Lender.</p> <ul style="list-style-type: none"> <li>■ For nonprofit developers only: the approved developer fee may be considered a source of required equity, with any balanced needed to come from subsidy funding.</li> </ul>
<b>Eligible Project Size</b>	<p>Projects shall contain at least ten (10) homeownership units. This minimum unit requirement may be waived if a Lead Lender agrees to underwrite the project for the fees permitted under the CHOICE Program.</p>
<b>Eligible Project Types and Subsidy Loan Amounts</b>	<p><b><u>Emerging Market Projects:</u></b>          These projects feature the development of homeownership units in Agency-identified markets that are not currently considered viable because the costs to build all the units are higher than the total prices for which all the units can be sold.</p> <p>Emerging Market Projects are eligible for:</p> <ul style="list-style-type: none"> <li>■ a CHOICE Construction Loan</li> <li>■ CHOICE Subsidy Funding to provide “gap” funding needed per the Lead Lender/Agency-approved development budget. The total subsidy amount shall be no more than \$100,000 per unit for all the units in eligible projects located in an Economic Recovery Act municipality (currently, Camden). In other municipalities, the subsidy amount for each eligible project may not exceed \$100,000 per unit for all Low-income and Moderate-income units as defined below and \$75,000 per unit for all the remaining units (“Emerging Market Units” or “EMU”s) in the project. Note that the rental unit in any two-family homeownership dwelling is ineligible for subsidy. The total subsidy amount for any one project may not exceed \$2,000,000.</li> <li>■ a set-aside of the Agency’s 100% Financing Program end loans for income-eligible homebuyers. The maximum 100% Financing Program amount per project shall be 50% of all units or 25 units, whichever is greater.</li> </ul> <p>Emerging Market Project requirements are as follows:</p> <ul style="list-style-type: none"> <li>■ Projects must document that the costs to develop all the units are higher than the prices at which these units can be sold. Documentation, at a minimum, shall consist of Lead Lender/Agency-approved appraisals/market analyses and real estate sales comparables and Lead Lender/Agency-approved development budgets. Proposed EMU sales prices that are more than 5% below market sales prices shown in the independent appraisal must be justified.</li> <li>■ A minimum of 15% of all units in the project must be priced for Low-income and Moderate-income buyers as so:             <ul style="list-style-type: none"> <li>-- a minimum of 5% of all the units in the project (but not more than one-half of all the units in the project) shall be priced at 45% Range of Affordability (“ROA”) and sold to Low-income homebuyers with household incomes not exceeding 50% ROA</li> <li>-- a minimum of 5% of all units in the project must be priced at 55% ROA and sold to Moderate-income homebuyers with household incomes not exceeding 60% ROA</li> <li>-- a minimum of 5% of all units in the project must be priced anywhere from 56% ROA to 72% ROA and sold to Moderate-income homebuyers with household incomes not exceeding 80% ROA</li> <li>-- In conjunction with affordability controls described elsewhere, these units shall remain income-restricted to 50% ROA, 60% ROA and 80% ROA, respectively, for 30 years.</li> </ul> </li> <li>■ All other units (“EMUs”) may be approved at market prices by the Agency’s Board and may not exceed the applicable maximum sales price limits of the 100% Financing Program. The Agency may approve subsequent increases in the EMU sales prices approved by the Board as long as these new prices still do not exceed the maximum sales price limits of the 100% Financing Program AND as long as the retainage of the CHOICE Subsidy Funding for the EMUs is increased in an amount equal to that of the increased portion of the sales price for each applicable unit. Buyers of these units may have unlimited household incomes, and there shall be no affordability controls on these units.</li> <li>■ Due to the subsidies involved, the sale of each EMU shall be subject to a Shared Appreciation Deed Restriction for 15 years. Under this restriction, at the time of the buyer’s sale or cash-out refinance of the unit, and in an amount that shall never exceed that of the subsidy attributed to the unit plus 3% simple interest annually, the buyer shall pay the Agency 100% of the net appreciation should the unit be sold/refinanced during the first 2 years; 75% should the unit be sold/refinanced in the 3<sup>rd</sup> year; 50% should the unit be sold/refinanced in the 4<sup>th</sup> year; or 25%</li> </ul>

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**Eligible Project Types and Subsidy Loan Amounts (continued)**

each year thereafter from the 5<sup>th</sup> year through the 15<sup>th</sup> year. This Shared Appreciation Deed Restriction shall be terminated upon the first sale or when paid in full by prepayment or cash-out refinance prepayment in full or in 15 years, whichever comes first, and in accordance with the requirements above. This lien shall not be subordinated unless there is an appraisal disclosing that there is adequate equity in the unit to repay the Shared Appreciation Deed Restriction lien.

- Rental units in any two-family homes may be leased by the homebuyer to households of any income. There are no CHOICE-required affordability controls on these rental units.

**Workforce Housing Projects:**

These projects feature the development of units that are all for Low-income and Moderate-income homeownership.

Workforce Housing Projects are eligible for:

- a CHOICE Construction Loan
- CHOICE Subsidy Funding to provide “gap” funding needed per the Lead Lender/Agency-approved development budget. The total subsidy amount shall be no more than \$100,000 per homeownership unit for all projects. Note that the rental unit in any two-family homeownership dwelling is ineligible for subsidy. The total subsidy amount for any one project may not exceed \$2,000,000.
- a set-aside of the Agency’s 100% Financing Program end loans for income-eligible homebuyers. The maximum 100% Financing Program amount per project shall be 50% of all units or 25 units, whichever is greater.

Workforce Housing Project requirements as are follows:

- All the homeownership units must be priced for Low-income and Moderate-income buyers as so: a minimum of 10% of all the units in the project (but not more than one-half of all the units in the project) shall be priced at 45% ROA and sold to Low-income homebuyers with household incomes not exceeding 50% ROA; another minimum of 10% of all units in the project must be priced at 55% ROA and sold to Moderate-income homebuyers with household incomes not exceeding 60% ROA; and any remaining units in the project may be priced from 56% ROA to 72% ROA and sold to Moderate-income homebuyers with household incomes not exceeding 80% ROA; in conjunction with affordability controls described elsewhere in these guidelines, these units shall remain income-restricted to 50% ROA, 60% ROA and 80% ROA, respectively, for 10 years or such greater term as permitted by N.J.A.C. 5:80-26.1 et seq. (UHAC) and authorized by municipal resolution.
- Rental units in any two-family homes may be leased by the homebuyer to households of any income. There are no CHOICE-required affordability controls on these rental units.
- The project must not be part of an inclusionary development as defined by COAH unless the Workforce Housing Project units are in excess of the number of units required for inclusionary purposes and the CHOICE Subsidy Funding is only used for the costs associated with these excess units.

**NOTE: Any applicants with projects being developed to provide municipalities with NJ Council on Affordable Housing (“COAH”) credit must also ensure that the projects will meet Uniform Housing Affordability Controls (“UHAC”) requirements. Applicants must notify the Agency of such projects and are encouraged to contact the Agency’s Housing Affordability Service (“HAS”) to obtain information regarding UHAC prior to obtaining any Agency financing/funding commitments. Note that neither the Agency nor HAS can provide a guaranty that any units are eligible for COAH credit, and if COAH credits are a concern applicants should consult with counsel or COAH.**

**Developer Capacity**

Developers must have experience with both land development and construction of similar size and complexity. In addition to reviewing the developer’s experience, the Lead Lender and the Agency will review the **entire** development team and/or other entities that have a role in project implementation, including but not limited to the builder, general contractor, marketing firm, counseling agency and consultant. Inexperienced developers must document their ability to complete the project and must use experienced contractors. The qualifications of all key participants will be examined. The Agency will review the ability of the developer to obtain credit based upon previous experience/projects completed.

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	<p>In determining capacity, the Agency will take into consideration past performance in Agency and NJ Department of Community Affairs (DCA) programs including, but not limited to, Balanced Housing, Agency Single &amp; Multifamily programs, and state-funded HOME programs. Failure to perform by any of the key participants in past contracts with the Agency or the DCA, including failure to pay fees to the Agency or the Agency's Housing Affordability Services or failure to repay loans from the Agency or the Department, may be grounds for disqualifying an application.</p>
<p><b>Application Cure Period</b></p>	<p>Applicants must comply with all CHOICE application requirements including the timely completion of all required forms and documentation. Applicants shall be given 48 hours from the date of Agency review to cure defects as follows, except for applications that the Agency deems to be substantially incomplete:</p> <ul style="list-style-type: none"> <li>• If the applicant has failed to include a required document, the applicant may supply the document; provided, however, that the document existed on the application deadline date and, if the document is a legal agreement or instrument, the document was legally effective on the application deadline date.</li> <li>• If statements or items in the application are contradictory or mutually inconsistent, the applicant may present information resolving the contradiction or inconsistency; provided, however, that the information accurately reflects the state of affairs on the application deadline date.</li> <li>• The applicant may provide any required signature that has been omitted.</li> </ul>
<p><b>Affordability Controls</b></p>	<p>Low- and Moderate-income units shall be subject to the Uniform Housing Affordability Controls N.J.A.C 5:80-26.1 et seq. Any applicable CHOICE loan agreement shall incorporate Agency-approved contractual guarantees and procedures to ensure that any unit of housing provided for Low- and Moderate-households shall continue to be occupied by Low- and Moderate- -income households for at least 30 years for Emerging Market Projects and, for Workforce Housing Projects, 10 years or more as required by the host municipality and as permitted by the UHAC.</p> <p>The Agency's HAS shall serve as the administering agent for affordability controls.</p> <p>NOTE: Applicants need to inform the Agency prior to any commitment of financing whether the project's other non-CHOICE gap funding sources require unit deed restrictions that are in conflict with the Agency's.</p>
<p><b>Municipal Resolution</b></p>	<p>Applicants must provide evidence acceptable to the Agency documenting municipal support for the project and the CHOICE application.</p>
<p><b>Site Control</b></p>	<p>Site control by the applicant or borrower must be documented for project properties at the time of application.</p> <p>Site control must be evidenced by:          fee simple title; option to purchase, including evidence that options are renewable subject to similar terms until the start of construction; executed land sales contract or other enforceable agreement for acquisition of the property; or an executed disposition and development agreement with a public agency with powers of eminent domain. Where the property is being transferred through a redevelopment agreement, a fully executed copy of the supporting resolution or ordinance to convey the property (or properties) to the applicant is required. If the property (or properties) is to be transferred by the municipality to the applicant, a certified true copy of the authorizing ordinance/resolution for the transfer of the property must be submitted.</p>
<p><b>Pre-closing Construction</b></p>	<p>Project construction is prohibited from commencing prior to the closing of CHOICE financing/funding. Any developer needing a waiver to this requirement must receive authorization in writing from both the Lead Lender and the Agency.</p> <p>Any work commenced or completed without Agency and Lead Lender approval may not be funded.</p>

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<p><b>Eligible Uses of the CHOICE Construction Loan and Subsidy Funding</b></p>	<p>Eligible uses of the CHOICE Construction Loan and any CHOICE Subsidy Funding, which shall be released on a pari passu basis with the construction loan proceeds, include any development budget items approved by the Lead Lender/Agency.</p> <p>Ineligible uses of the CHOICE Construction Loan and CHOICE Subsidy Funding include, but are not limited to, the following:</p> <ul style="list-style-type: none"> <li>■ Payment of developer’s administrative costs/overhead</li> <li>■ Payment of project consultant fee (this is paid from the developer fee at project completion)</li> <li>■ Payment of interest/fees not in the approved development budget</li> <li>■ Pre-construction deposits on modular units or on any other construction materials, unless approved by the Lead Lender and the Agency.</li> <li>■ Payment for costs incurred by the borrower for materials stored on or off site</li> <li>■ Payments for buyer counseling services, community development activities and employment training and tools</li> </ul> <p>Ineligible uses of CHOICE Subsidy Funding also include, but are not limited to, the following:</p> <ul style="list-style-type: none"> <li>■ Draws on subsidy funding prior to construction loan closing</li> <li>■ Any costs that are not paid pari passu with construction loan proceeds</li> </ul>
<p><b>CHOICE Subsidy Funding Retainage</b></p>	<p>The Agency shall make no more than 90% of the CHOICE Subsidy Funding available for Lead Lender/Agency-approved development costs.</p> <p>The remaining 10% of the subsidy shall serve as a project retainage to be made available by the Agency directly to the borrower after the Agency receives and approves all required recorded documents for applicable Low-, Moderate- and Emerging Market units, certificates of occupancy, closing statements, Energy Star certificates and other NJ Green Futures Program documentation as applicable, and the final cost certification. The Agency may revise the amount of the project retainage to be released to the borrower if there are any warranted issues identified during review of the cost certification.</p> <p>Retainage of the CHOICE Subsidy Funding for Emerging Market Project units shall be increased by the Agency during the construction period if the market-priced units are sold for higher prices than were approved by the Lead Lender/Agency at the time of construction loan closing. The increase in retainage shall be equal to the amount of the increased portion of the sales price for each applicable unit. As documentation, the Agency shall require copies of contracts of sale executed for all Emerging Market Units prior to sale closings.</p>
<p><b>Disbursement of CHOICE Financing/Funding</b></p>	<p>The Agency portion of the CHOICE Construction Loan and the CHOICE Subsidy Funding will remain with the Agency until requisitioned by the Lead Lender for disbursement in accordance with the requisition procedure outlined in the Intercreditor Agreement. Progress payments to contractors will be made for work in place which is inspected and approved by the Lead Lender or its designee and the Agency’s Technical Inspector. The Lead Lender will carefully monitor that the general contractor, all sub-contractors and any other relevant entity are receiving any funds owed to them from prior draws. All draws must be covered under an updated title rundown, showing no liens or encumbrances. Draw requests will be submitted on an AIA G-703 form or substantially similar format that provides line item detail. Construction funds will be based on a percentage of completion for a particular line item.</p> <p>For construction draws, a construction loan retainage, not to exceed 10%, shall be held against each draw. The Lead Lender may reduce the retainage during construction below 10% for the subject phase either on a percentage of completion basis or by trade organization, when that trade is 100% complete. Remaining retainage will be released upon phase completion and the issuance of certificates of occupancy, except that the Lead Lender may retain funds to assure completion of punch list items. Condominium projects will be treated as commercial construction, and the 10% retainage for these projects is required until the completion of construction.</p>
<p><b>Construction Change Orders</b></p>	<p>All change orders must be pre-approved by the Lead Lender and the Agency and be consistent with the standards and procedures established by the Lead Lender and the Agency. The Lead Lender and the Agency have the authority to deny change orders and to reserve sufficient funds to complete construction of the project.</p>

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<b>Market Information/ Estate Sales Comparables</b>	A formal market study is encouraged but not required as part of the application. In all cases, the developer must provide Agency-required information at the time of application regarding the market and proposed sales prices as well as sales comparables for each unit type proposed. These sales comparables should be no older than six months prior to the application date and should reflect property sales within the project neighborhood. This information must be approved by the Agency and the Lead Lender along with the rest of the project application for project feasibility/marketability prior to the Agency's commitment of CHOICE financing/funding.
<b>Project Valuation and Market Analysis</b>	<p>As an Agency condition of CHOICE financing/funding, an independent market valuation appraisal, which conforms to the Uniform Standards of Professional Appraisal Practice (USPAP), meets Lead Lender standards and addresses comparable unit sales prices and absorption rates, shall be ordered/provided by the Lead Lender to determine project valuation and marketability of the project units. Such appraisal must be reviewed/approved by the Lead Lender and the Agency prior to closing.</p> <p>If the analysis is more than 9 months old from the planned construction closing date, the Agency may request an update of this supply and demand analysis for purposes of confirming viable unit sales prices.</p>
<b>Real Estate As-Is Valuation</b>	An Agency commitment of CHOICE financing/funding shall be conditioned upon approval of an as-is valuation of the project property ordered/provided by the Lead Lender and the Agency as part of the project appraisal or as a separate report and approved by the Lead Lender and the Agency prior to closing. For project property owned for 5 years or less, the Agency will recognize the lesser of the appraised value or the purchase price of the realty and any buildings and improvements thereon involving the most recent arm's length transaction as provided by a "Delineation of Title" history (completed by the appraiser) identifying each party associated with the conveyance. For project property owned for more than 5 years, the appraised value alone may be recognized.
<b>Site Plan Approvals</b>	<p>Evidence of preliminary site plan approval is required at the time of application. The final site plan and final municipal or planning board resolution must be submitted together with all other approvals prior to closing. If final site plan approval is not required by a municipality prior to the start of construction, a letter from the municipality explaining this must be provided and approved by the Lead Lender/Agency. If any site plan approval is not required, the developer's attorney must provide a letter stating that the project is not subject to site plan approval.</p> <p>It is the developer's responsibility to demonstrate that the project complies with all applicable local land use and zoning requirements.</p>
<b>Financing Fees</b>	<p>The Lead Lender is permitted to charge for usual and reasonable costs involved in processing the application. All fees will be borne by the borrower. Fees shall not exceed those charged privately for comparable loans. Fees may include inspection and plan review fees, credit reports, appraisal, flood certification, environmental tests, attorney fees, survey, and other reasonable third party costs.</p> <p>A usual and reasonable application fee may be charged in addition to the reimbursement of third party expenses.</p> <p>For a commitment fee, the Lead Lender may charge no more than 87.5 basis points on the full Construction Loan amount, payable at commitment. The Agency may charge no more than 12.5 basis points on the full Construction Loan amount, payable at commitment.</p> <p>The Agency may charge a \$1,500 fee for CHOICE financing recommitments, payable at the time of recommitment.</p> <p>No fees or points may be charged by the Lead Lender or by the Agency to the borrower for the CHOICE Subsidy Funding.</p>

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<p><b>Developer Fee</b></p>	<p>The developer fee will be capped for all subsidized (i.e. Low-, Moderate- and Emerging Market) units on a per unit basis contingent upon the number of bedrooms:</p> <table border="1" data-bbox="565 289 1414 600"> <thead> <tr> <th colspan="3">MAXIMUM PER-SUBSIDIZED-UNIT DEVELOPER FEE SCHEDULE</th> </tr> <tr> <th>UNIT SIZE</th> <th>HOME OWNERSHIP</th> <th>RENTAL</th> </tr> </thead> <tbody> <tr> <td>Studio</td> <td>\$14,000</td> <td>\$ 0</td> </tr> <tr> <td>1 Bedroom</td> <td>\$16,000</td> <td>\$ 8,000</td> </tr> <tr> <td>2 Bedrooms</td> <td>\$18,000</td> <td>\$10,600</td> </tr> <tr> <td>3 Bedrooms</td> <td>\$20,000</td> <td>\$13,400</td> </tr> <tr> <td>4 + Bedrooms</td> <td>\$22,000</td> <td>\$15,200</td> </tr> </tbody> </table> <p>The minimum developer fee will be the lesser of 5% of the total development cost (excluding the developer's fee) or the appropriate per unit maximum fees as outlined in the above schedule. Project consultant fees are to be paid out of the developer fee, which is paid per a schedule approved by the Lead Lender/Agency.</p>	MAXIMUM PER-SUBSIDIZED-UNIT DEVELOPER FEE SCHEDULE			UNIT SIZE	HOME OWNERSHIP	RENTAL	Studio	\$14,000	\$ 0	1 Bedroom	\$16,000	\$ 8,000	2 Bedrooms	\$18,000	\$10,600	3 Bedrooms	\$20,000	\$13,400	4 + Bedrooms	\$22,000	\$15,200			
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3 Bedrooms	\$20,000	\$13,400																							
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<p><b>Contractor Fee</b></p>	<p>The contractor's fee shall be based on a percentage of the construction cost as such:</p> <table border="1" data-bbox="480 905 1500 1455"> <thead> <tr> <th colspan="2">MAXIMUM CONTRACTOR FEE SCHEDULE</th> </tr> <tr> <th>TOTAL CONSTRUCTION COST</th> <th>MAXIMUM FEE</th> </tr> </thead> <tbody> <tr> <td>Under \$2 million</td> <td>10%</td> </tr> <tr> <td>Under \$3 million</td> <td>9.5%</td> </tr> <tr> <td>Under \$4 million</td> <td>9.0%</td> </tr> <tr> <td>Under \$5 million</td> <td>8.5%</td> </tr> <tr> <td>Under \$6 million</td> <td>8.2%</td> </tr> <tr> <td>Under \$7 million</td> <td>7.9%</td> </tr> <tr> <td>Under \$8 million</td> <td>7.6%</td> </tr> <tr> <td>Under \$9 million</td> <td>7.3%</td> </tr> <tr> <td>Under \$10 million</td> <td>7.0%</td> </tr> <tr> <td>Over \$10 million</td> <td>6.7%</td> </tr> </tbody> </table> <p><i>If the total construction amount falls between two bracketed amounts, the maximum fee percentage shall be interpolated. The maximum fee percentage is absolute and not graduated or inclusive of aggregated maximum fee percentages for dollar amounts expended. Contractor's fee (and architect's fee) for projects utilizing modular construction is expected to be based on actual scope of work to be performed, not on construction cost. Justification acceptable to the Lead Lender and the Agency must be given if these costs exceed fees customary for modular construction projects.</i></p>	MAXIMUM CONTRACTOR FEE SCHEDULE		TOTAL CONSTRUCTION COST	MAXIMUM FEE	Under \$2 million	10%	Under \$3 million	9.5%	Under \$4 million	9.0%	Under \$5 million	8.5%	Under \$6 million	8.2%	Under \$7 million	7.9%	Under \$8 million	7.6%	Under \$9 million	7.3%	Under \$10 million	7.0%	Over \$10 million	6.7%
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<p><b>Maximum Developer/Contractor Fee, for Related Parties</b></p>	<p>If the developer and the contractor are related parties, the maximum combined developer and contractor fees shall not exceed the lesser of: the total amounts permitted by the above limitations OR 20% of the total development budget (excluding the developer fee). If any part of the development entity is providing additional services to the project, compensation for these costs must be paid from the developer fee.</p>																								
<p><b>Hard and Soft Contingency Budgets</b></p>	<p>A construction contingency is required as part of the development budget for at least 5% of the total hard construction costs for new construction units and at least 10% of the total hard construction costs for rehabilitation units. A soft cost contingency is required as part of the development budget for at least 2% of the total soft costs (including professional fees and carrying costs).</p>																								

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<p><b>Pre-Sales</b></p>	<p>Lead Lenders may require an acceptable level of pre-sales for each project or phase in accordance with their normal standards. It is the Lead Lender's responsibility to establish a measurable level of pre-sales and ensure that the established pre-sale requirement is met prior to requesting Agency construction loan funds or CHOICE Subsidy funds. The Lead Lender analysis may be based on a market study, absorption analysis or other sales and neighborhood data acceptable to the Lead Lender.</p> <p>The Lead Lender will be responsible to achieve the unit mix planned for the development. Generally this will mean bring units to completion in relative proportion to the affordable and market units mix. Affordable units should be intermixed with market units.</p>														
<p><b>Unit Sales Proceeds</b></p>	<p>Unless determined otherwise by the Lead Lender/Agency, all unit sales proceeds shall be used for the following purposes in this order:</p> <ul style="list-style-type: none"> <li>• to pay off any unpaid portion of the CHOICE construction loan,</li> <li>• to pay off any unpaid portion of other construction financing provided by non-CHOICE sources, as required,</li> <li>• to cover any other non-developer fee costs required by the Lead Lender/Agency,</li> <li>• to pay the developer fee</li> </ul> <p>These conditions and any other conditions for the use of sales proceeds should be set forth in the Lead Lender's commitment and approved by the Agency.</p>														
<p><b>Model Units</b></p>	<p>The construction of a limited number of model units will be a permitted use of the CHOICE Construction Loan. The Lead Lender and the Agency must determine that the marketing of the project will be enhanced by the construction of models and warrant that sufficient security is in place to protect the investment. The development of speculative units will not be permitted as part of this unless the developer can demonstrate to the Lead Lender's and the Agency's satisfaction the marketability of the units.</p>														
<p><b>Unit Minimum Square Footage Requirements</b></p>	<p><b><u>Unit Minimums:</u></b> The minimum, useable, interior square footage requirements per unit are as follows:</p> <table border="1" data-bbox="609 1094 1370 1402" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th colspan="2" style="text-align: center;"><b>MINIMUM INTERIOR UNIT SPACE REQUIREMENTS*</b></th> </tr> <tr> <th style="text-align: center;"><u>Unit Size</u></th> <th style="text-align: center;"><u>Minimum Square Footage</u></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Studio Unit</td> <td style="text-align: center;">550</td> </tr> <tr> <td style="text-align: center;">1-Bedroom Unit</td> <td style="text-align: center;">700</td> </tr> <tr> <td style="text-align: center;">2-Bedroom Unit</td> <td style="text-align: center;">850</td> </tr> <tr> <td style="text-align: center;">3-Bedroom Unit</td> <td style="text-align: center;">1,150</td> </tr> <tr> <td style="text-align: center;">4-Bedroom Unit</td> <td style="text-align: center;">1,250</td> </tr> </tbody> </table> <p>Basements, garages, crawl spaces, attics or other unfinished space may not be used to calculate the minimum interior unit square footage requirement.</p> <p>Units to be substantially rehabilitated that cannot meet the above-listed requirements may seek an exception to them with backup documentation. This might include a municipal authority certifying that the municipality requires the use of the existing unit foundation footprint and/or shell; municipal set-back requirements that prevent expansion; historic requirements preventing unit expansion; and/or a certification from an architect or engineer detailing that such expansion would affect the financial feasibility of the project.</p> <p><b><u>Bedroom Minimums:</u></b> For each unit (including rental units), one of the bedrooms must be at least 150 sq feet of clear floor space, not including closets. Each additional bedroom must be at least 100 square feet.</p> <p>Each bedroom must contain at least one closet.</p>	<b>MINIMUM INTERIOR UNIT SPACE REQUIREMENTS*</b>		<u>Unit Size</u>	<u>Minimum Square Footage</u>	Studio Unit	550	1-Bedroom Unit	700	2-Bedroom Unit	850	3-Bedroom Unit	1,150	4-Bedroom Unit	1,250
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<p><b>NJ Green Future and Other Miscellaneous Construction/Rehabilitation Standards</b></p>	<p>The following basic unit criteria apply:</p> <p>NJ Green Future – Single Family CHOICE requirements must be adhered to (see the checklist of required items in the CHOICE Application).</p> <p>Electric heat is <u>prohibited</u>. Heat pumps are acceptable if the Agency’s technical staff approves the system.</p> <p>Double-pane thermal glass windows are required</p>
<p><b>Property Environmental Review</b></p>	<p>At time of CHOICE application, a Phase I environmental assessment using ASTM standards regarding the project property is required, unless agreed to otherwise by the Lead Lender/Agency. The report must be provided by a firm acceptable to the Lead Lender. Additional assessments, such as a Phase II site investigation or NJ Department of Environmental Protection (DEP) environmental remediation measures, may also be warranted, particularly if recommended in the Phase I report. If remediation is necessary, the remediation plan must be cost estimated in detail and included in the total development cost budget.</p> <p>Rehabilitation projects must provide a plan for asbestos removal and remediation of lead-based paint and radon as well as pest inspection reports. A letter of "no further action" from DEP may be required.</p> <p>Applicant must certify that all necessary environmental approvals have been obtained and submit evidence of each approval.</p>
<p><b>Structural Integrity/Soils Test</b></p>	<p>Prior to closing on CHOICE financing/funding, projects that include the substantial rehabilitation of structures must supply an engineering report documenting the integrity of the structure. A geotechnical soils load-bearing capacity test will be required for all projects involving new construction units, particularly where there is evidence of previous structures on the project site. The test shall cover both the proposed project sites as well as the areas where utility lines and infrastructure for the project will be provided. If remediation is necessary, the remediation plan must be cost estimated in detail and included in the total development cost budget.</p>
<p><b>Site Utilities</b></p>	<p>The applicant must provide evidence that the site is connected or will be connected to all required utilities, including but not limited to the sewer, electric, gas and water as may be provided for in the plans. Evidence of authorization to connect at the planned capacity levels shall be provided. The Lead Lender shall give consideration to the energy efficiency levels of major systems and discourage the use of any system that will result in higher than average system energy costs to residents.</p>
<p><b>Unit Options</b></p>	<p>Developers will be permitted to offer options to buyers that will increase Agency-approved sales prices of units up to 10%, provided the sales prices as upgraded still meet the appropriate ranges of affordability (ROA) required for those units.</p>
<p><b>Modular Units</b></p>	<p>Payment for the delivery of modular units will be in accordance with the Lead Lender's standard disbursement policy. If a disbursement of funds is made when the modular unit is delivered, the Lead Lender's and the Agency’s representatives must be on site to approve the unit and confirm its compliance with the plans and specifications.</p> <p>Deposits, or down payments, on modular units must be paid by the developer and will be reimbursed from the construction loan once the unit is permanently attached to the foundation and the Lead Lender's and the Agency’s inspections are completed.</p> <p>It is expected that the contractor's and architect's fees will be adjusted to reflect the scope of work actually done or to be related to the use of modular units. Justification acceptable to the Lead Lender and the Agency must be given if these costs exceed fees customary for modular construction projects.</p>
<p><b>Title Insurance</b></p>	<p>Title Insurance naming the Agency and the Lead Lender as insured parties on all mortgaged property is required from a reputable title insurance company acceptable to the Lead Lender, insuring that the lien of the mortgage is a first mortgage lien; free and clear of all encumbrances (except usual encumbrances such as utility easements). The Lead Lender will specify the form of the title insurance at the time of loan commitment. The Agency requires title policy coverage for the full amounts of the CHOICE Construction Loan and the CHOICE Subsidy Funding. If the loan is revolving or being paid down during construction,</p>

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	<p>the amount of coverage must be in at least the amount of the highest anticipated outstanding principal loan balance. CHOICE subsidy coverage must also be at least in the amount of the highest anticipated outstanding subsidy balance, recognizing any scheduled reduction of the subsidy caused by the release of the corresponding mortgage upon sale of units to homeowners. The title policy must permit amendment to increase coverage if the outstanding balances exceed projections.</p> <p>The Lead Lender must verify by title run-down that the mortgage is in a first lien position, free and clear of all liens and encumbrances, prior to each draw.</p>
<b>Insurance</b>	The Lead Lender and the Agency must be listed as the First Loss Payee on all insurance policies which cover the project site, equipment, materials and construction completion.
<b>Survey</b>	All projects must have an ALTA SCMA Urban Class Survey completed. The Surveyor must sign the survey with raised certification to the owner, Title Company, Lead Lender and the Agency.
<b>Project Completion Guarantee</b>	Lead Lenders will be required to ensure that each project has the appropriate safeguards to ensure project completion. Lead Lenders, at their sole discretion, may require recourse, performance bond, letter of credit, additional equity, or other forms of guaranty as may be reasonable. Personal and/or corporate recourse may be required, at the Lead Lender's sole discretion, from for-profit developers, limited equity corporations and joint development teams. Non-profit developers will not be subject to personal recourse. Any guarantees required, with the exception of borrower recourse, shall also apply to the benefit of the Agency.
<b>Project Cost Certification</b>	<p>At project completion, the Lead Lender shall require a final Project Cost Certification of the total development costs prepared by a Certified Public Accountant in a format acceptable to the Agency. A copy of such will be delivered to the Agency within three months of the project's completion. If the cost audit is not submitted within three months, the developer must provide a letter from a Certified Public Accountant explaining the reason for the delay and when the audit will be submitted to the Agency. If this explanation is found acceptable, the Agency shall grant up to no more than three additional months for the audit's submission. If the Agency does not receive the audit within this approved extended time period, any remaining undisbursed CHOICE subsidy shall not be released and shall remain permanently with the Agency.</p> <p>Any expenditures in the submitted cost audit that are in excess of those documented and/or approved by the Agency will be considered ineligible. Funds remaining with the lender and the Agency, as well as any sales proceeds in excess of the construction loan balance, will be used to offset ineligible expenses.</p>
<b>Agency Rights and Reservations</b>	The Agency reserves the right, at its sole discretion, to determine eligible amounts and use of the CHOICE Construction Loan, the CHOICE Subsidy Funding and any Agency end loan financing. In the event an applicant is awarded less than the requested financing/funding amounts, it may be necessary for the applicant to modify the project plans and budget accordingly. In addition, the Agency reserves the right to reject any and all submissions.