

# Smart Start Options Program Guidelines

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1. **PROGRAM DESCRIPTION:** Accumulating the funds for downpayment and closing costs is a common barrier to potential homeowners. The Smart Start Program is available to participants in the Agency's first mortgage homebuyer's program who are purchasing homes in Smart Growth areas. The program helps these families by offering a second mortgage for downpayment and/or closing costs up to 4% of the first mortgage.
2. **AVAILABLE FUNDS:** As allocated by HMFA.
3. **ELIGIBLE BORROWERS:** Eligible households are those who qualify under the Home Buyer Program. **Borrowers with sufficient personal assets to close a loan at less than 80% LTV are ineligible.** Corporations and Investors are not permitted to act as borrowers.
4. **OCCUPANCY:** Property must be occupied as the borrower's primary residence within 60 days of closing. Borrower must maintain occupancy for the life of the loan.
5. **LOAN TERMS:** The Agency will make Smart Start downpayment and/closing cost loans in the amount of 2%, 3% or 4% of the first mortgage to qualified Home Buyer Program borrowers purchasing in Smart Growth areas as determined by the Agency's Smart Growth locator. (Visit [www.nj-hmfa.com](http://www.nj-hmfa.com) to access the locator tool.) The interest rate on the Smart Start second mortgage is 0%. The Borrower may repay the unpaid principal in full or in part at any time before it is due. This is known as prepayment and no penalty shall be charged. If the Borrower continuously resides in the premises, as his/her principal residence for five (5) years from the date of the closing of the loan, the principal on the Note will have been deemed satisfied and the Lender will provide the Borrower with a cancellation of mortgage or release of lien. If the Borrower conveys, refinances or ceases to occupy the premises as his/her principal residence, full repayment of principal will be due as follows:
  - Months 0 through 24, the entire principal is due.
  - After the 24<sup>th</sup> month, 25% of the principal on the Note will be deemed satisfied and the remaining balance will be reamortized.
  - After the 36<sup>th</sup> month, an additional 25% of the principal on the Note will be deemed satisfied and the remaining balance will be reamortized.
  - After the 48<sup>th</sup> month, an additional 25% of the principal on the Note will be deemed satisfied and the remaining balance will be reamortized.
  - After the 60<sup>th</sup> month the entire Note will be satisfied and discharged.



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6. **INCOME LIMITS:** Income limits are determined by the area of purchase as well as family size and must follow the same guidelines as the First Time Home Buyer Program.
7. **PURCHASE PRICE LIMITS:** Purchase price limits exist for both the statewide and target areas. Loans submitted using FHA, VA and/or RECD guidelines must adhere to FHA or HMFA guidelines (whichever is lower) regarding purchase price limits or mortgage loan limits.
8. **FIRST MORTGAGE PRICING:** The 30 year first mortgage interest note rate will vary depending on the Smart Start loan amount elected and will be fixed for the life of the loan in accordance with the following schedule:

2% Smart Start loan results in first mortgage Home Buyer Program rate + .375%

3% Smart Start loan results in first mortgage Home Buyer Program rate + .50%

4% Smart Start loan results in first mortgage Home Buyer Program rate + .75%

The 40 year first mortgage requires an additional add-on of .125%.

**For more information:** Visit HMFA's website, [www.nj-hmfa.com](http://www.nj-hmfa.com) or contact HMFA at 1-800-NJHOUSE (800-654-6873).



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