New Jersey Housing and Mortgage Finance Agency
Multi-Family 9% Tax Credit Project Rate Lock Program Guidelines

Adopted: August 12, 2021
Amended: June 27, 2024

These guidelines and the policies and procedures herein may be amended from time to time due to changes in market conditions and/or changes in the Agency's housing policies or initiatives. Such amendments may occur without notice and are applicable to all pending and future applications. Applicants are, therefore, responsible for contacting the Agency to ascertain whether or not there have been any changes since the date of adoption of these guidelines and for complying with such changes. These guidelines amend, revise and supersede the Agency's Multi-Family 9% Tax Credit Project Rate Lock Program Guidelines originally adopted on August 12, 2021.

In an effort to further its mission to provide safe, decent and affordable housing for all New Jersey residents, the New Jersey Housing and Mortgage Finance Agency ("Agency") can assist developers of affordable multifamily rental housing by offering mortgage loan interest rate locks in connection with their projects that are awarded 9% tax credits and that are expected to be financed with taxable bonds through the Agency's Multi-Family pooled bond program. These guidelines address the requirements to obtain a rate lock under the Multi-Family 9% Tax Credit Project Rate Lock Program (the "MF Rate Lock Program"). Participation in the Agency's 9% Low Income Tax Credit program is required for participation in the Agency's MF Rate Lock Program. Applicants should consult the Agency's Tax Credit Division for guidance.

These guidelines do not address requirements under other Agency programs. If an Applicant intends to seek other sources of financing from another Agency program, it must consult the appropriate guidelines and requirements for those programs.

I. General Overview:

Developers may request a rate lock on the long-term, permanent 1st mortgage loan in connection with projects that are awarded 9% tax credits and that are financed with taxable bonds through the Agency's Multi-Family pooled bond program. Those projects will be reviewed by the Agency's Multi-Family and Loan Closings divisions to determine if they have met the eligibility requirements for the MF Rate Lock Program. Upon request from the Multi-Family division, Capital Markets will prepare a rate lock and pricing indication that Multi-Family will share with the developer. After the developer has accepted the terms of the rate lock as evidenced by the signing of a Rate Lock Agreement (the "Rate Lock Agreement") and, if applicable, an Addendum to Permanent Financing Agreement (the "Addendum"), and has paid a nonrefundable upfront rate lock reservation fee (the "Rate Lock Fee") to the Agency, the developer will receive the rate lock on its long-term, permanent first mortgage loan. Upon the setting of the locked interest rate, the Borrower shall sign a final Schedule 1 to the Rate Lock

Agreement which shall set forth such locked interest rate. **If the project fails to close on its long-term, permanent 1st mortgage loan for any reason in accordance with the terms and conditions established by the Rate Lock Agreement, the developer will be subject to the "Make Whole Fee" provisions of the program as described in Section IV.K.**

II. Eligibility:

Eligibility requirements will include, but are not limited to, the following:

1. Project must receive taxable, long-term financing through the Agency's MF pooled bond program. Projects financed through the Agency's MF Conduit bond program are not eligible for the MF Rate Lock Program.
2. The MF Rate Lock Program is only available to those projects that the Agency, in its sole and absolute discretion, is highly confident will close on their respective long-term, permanent loans. To promote the timely closing of a project's long-term permanent loan, the Multi-Family and Loan Closings divisions will provide a check list of requirements that the project must complete before the project is eligible for a MF rate lock. It is expected that the requirements for rate lock eligibility will closely track the requirements that must be met for inclusion in a bond sale.
3. Minimum Mortgage Loan Amount - Rate locks will only be offered to projects with a loan amount (long-term, permanent 1st mortgage loan) of no less than $1.5 million.
4. Maximum Mortgage Loan Amount - Rate locks will only be offered to projects with a loan amount (long-term, permanent 1st mortgage loan) of no greater than $20 million.
5. Minimum Mortgage Term - The minimum mortgage term will be as determined by Agency staff from time to time based on prevailing market conditions, the needs of the program, and other financial considerations.
6. The Agency reserves the right to limit its exposure to any one sponsor and/or developer under this MF Rate Lock Program.

III. Review of Application and Approval Process:

A. Submission of Application:

The Applicant shall submit a complete application to the Agency's Multi-Family division, including all required documentation and the Rate Lock Fee. A separate application is required for each project proposed by the Applicant. Projects may consist of new construction, acquisition or acquisition/rehabilitation.

B. Application Requirements:

Application documentation required may include, but is not limited to, the following:

1. Completed Project Information Sheet
2. Written approval (which may be in the form of an email) from the Multi-Family division stating project has provided all required items and is eligible for rate lock

3. Written approval (which may be in the form of an email) from the Loan Closings division stating that the project has provided all required items and is eligible for rate lock

C. Review of Application:
Agency staff will conduct a due diligence review of all applications and will check each application for completeness of information submitted. Notification of approval or rejection will be provided in writing from the Multi-Family and Loan Closing divisions, provided that the Agency shall not be liable for any failure to provide such written notice.

IV. Program Parameters:

A. Loan Types Eligible for Rate Lock: Long-term, permanent portion of project loan only (no short-term portions).

B. Time Period Covered by Rate Lock: The rate lock will cover the period (the "Rate Lock Period") from the date of rate lock execution (the "Rate Lock Execution Date") to the rate lock termination date, as extended, if applicable, pursuant to the Rate Lock Agreement ("Rate Lock Expiration Date").

C. Rate Lock Periods: A project will be able to select a Rate Lock Period based on a set of options offered by the Agency. The Rate Lock Periods offered by the Agency will be determined by Agency staff from time to time based on prevailing market conditions, the needs of the Program, and other financial considerations. Initially, the Agency staff expects to offer the following Rate Lock Periods:

Rate Lock Periods:
3 - 12 months
13 - 24 months

D. Expiration of Rate Lock: If, for any reason, the project does not close on its rate-locked loan by the Rate Lock Expiration Date, the Rate Lock Fee and any previously paid extension fees will be retained by the Agency, and the Make Whole Fee provisions described in Section IV.K. will apply. If the project subsequently closes on the previously locked loan, the interest rate applied to that loan will be the then-current rate at which the Agency is financing similar loans.

E. Developer Option to Extend Rate Lock Term: The Rate Lock Agreement may contain provisions that allow for the developer to extend the Rate Lock Period for an additional period of up to twelve (12) months (the "Extension Period"), subject to the payment by the Borrower of an extension fee as set forth in Section IV. A new locked interest rate shall take effect as of the first day of the Extension Period. Such new locked rate will be based on prevailing market conditions at the time of rate lock extension.

F. Early Termination of Rate Lock: In the event that a developer determines not to proceed to closing the Loan for any reason, the developer will be required to notify the Agency in writing of such determination in the form attached to the Rate Lock Agreement as Exhibit A. Upon receipt of such written notice, the Agency will terminate the rate lock, and the developer will be subject to a Make Whole Fee as defined herein and as further described in the Rate Lock Agreement.

G. Pooled Bond Issue: The project receiving the rate lock must be scheduled to be included in the Agency's pooled bond issuance corresponding to the Rate Lock Period.

H. Rate Lock Indications: Any rate lock mortgage rate indications provided for projects will be estimates, based on then-current market conditions. As such, they will be preliminary, approximate and will be subject to change until all required documentation is completed and received in correct condition, all fees are paid, and the corresponding Swap (as defined herein) is executed.

I. Rate Lock Interest Rate: The locked mortgage loan interest rate provided upon execution to a project through this MF Rate Lock Program will be determined by the Agency, in consultation with its financial advisor, based on an estimate of its MF long-term, permanent 1st mortgage interest rates in the current market.

J. No Upfront Payment of Cost of Issuance: If a Developer utilizes a rate lock for a project under this MF Rate Lock Program, it will not have the option to prepay that project's cost of issuance with an upfront cash payment.

K. Fees: The Applicant should anticipate payment of the following fees in connection with the utilization of a rate lock:

Rate Lock Fee - This nonrefundable up-front fee will be determined by the Agency based upon the rate lock period chosen by the developer and current market conditions. The Rate Lock Fee will be due prior to the execution of the rate lock.

The schedule of Rate Lock Fees is as follows:

Forward Period:	Rate Lock Fee:
3 - 12 months	$50,000 or 1% of loan amount (long-term, permanent 1st mortgage loan), whichever is greater
13 - 24 months	$50,000 or 2% of loan amount (long-term, permanent 1st mortgage loan), whichever is greater

Make Whole Fee - If the developer fails to close on its long-term loan on or before the Rate Lock Expiration Date, the Developer will pay a premium (as liquidated damages and not as a penalty) (the "Make Whole Fee") to offset any related hedge costs incurred by the Agency. The Make Whole Fee will be determined based on changes in rates and related pricing in the interest rate swap market as more fully described in each Rate Lock Agreement determined by the Agency at its sole discretion. The Make-Whole Fee will be determined by the Agency in its sole and absolute discretion. In the cases of for-profit Borrowers, the payment of the Make Whole Fee shall be personally guaranteed by at least one member of the development team designated by the Borrower and acceptable to the Agency in its sole and absolute discretion. In the cases of for-profit Borrowers, the Make Whole Fee will be required to have the personal guarantee of at least one member of the development team designated by the Borrower and acceptable to the Agency. In the cases of nonprofit Borrowers, the payment of the Make Whole Fee shall be (i) guaranteed by a nonprofit parent organization, for-profit developer or for-profit entity affiliated with the Borrower or otherwise associated with the Borrower or the Project, or (ii) personally guaranteed by an individual(s) who is associated with any of the entities described in clause (i) of this sentence, in all cases satisfactory to the Agency in its sole and absolute discretion.

Rate Lock Extension Fee: $75,000 or 3% of loan amount (long-term, permanent 1st mortgage loan), whichever is greater.

L. Documentation of Rate Lock: Before the Agency will provide a rate lock to a project, the developer will be required to execute a "Rate Lock Agreement" and, if applicable, an Addendum. Rate locks may be entered into no more than 15 days prior to the closing of a construction loan, if any, subject to change, from time to time, as determined by the Agency based on prevailing market conditions, the needs of the program, and other financial considerations.

V. Program Hedging Parameters:

A. Hedging Technique to be Used to Reduce Interest Rate Risk in MF Rate Lock Program:

In order to mitigate interest rate risk associated with the MF T.E. Rate Lock Program and its multifamily warehouse portfolio, Agency staff anticipate periodically entering into forward starting interest rate swaps (each, a "Swap" and, collectively, "Swaps") with financial institutions (each, a "Swap Counterparty" and, collectively, "Swap Counterparties"). Interest rate risk is the risk that rates will rise between the time that a mortgage loan interest rate is locked and the time that the bonds financing the project are priced, exposing the Agency to earning less spread than expected or even having a negative spread. Swaps used to hedge the Agency's interest rate risk will have a mandatory market termination substantially contemporaneously with the issue date of the related bonds and on or prior to the Swap's effective date. When the Swap is

terminated, a termination payment will be made from one party to the other based on the mark-to-market value of the Swap at the time of termination. The size of the Swap termination payment will depend on the change in interest rates from the date the Swap was executed to the termination date. When determining the appropriate timing, size, and structure of any individual Swap, Agency staff will evaluate risk exposure on a portfolio basis in the context of outstanding obligations, anticipated financings, prevailing market conditions, the needs of the program, and other financial considerations. Therefore, each Swap may not always coincide with the execution of individual rate locks.

B. Source of Payment:

Swap termination payments will be limited obligations of the Agency's Multi-Family Revenue Bonds General Resolution and general obligations of the Agency payable from the Agency's unencumbered funds. Except as set forth in Section IV.K., neither the developer nor the project will be responsible for making Swap termination payments. Similarly, any Swap termination payments received by the Agency will be retained by the Agency.

C. Swap Counterparties:

The Agency shall enter into Swaps only with qualified Swap Counterparties. A qualified Swap Counterparty must be a financial institution with at least one rating of least A-, A2, and/or A from S&P, Moody's, and/or Fitch, or if less, such ratings as shall be acceptable to S&P, Moody's, and/or Fitch, as the case may be, at the time the Swap is executed. Swap transactions may be executed on a competitive or negotiated basis, provided that, in all cases, the Swap Counterparty is selected through a competitive process involving at least two qualified counterparties that have active ISDA Master Agreements with the Agency with credit terms that are appropriate for the program. The Agency reserves the right not to enter into a Rate Lock Agreement for any project if the Agency does not receive bids from at least two qualified counterparties on terms acceptable to the Agency in its sole and absolute discretion.

D. Swap Risks: The risks associate with Swaps include, but are not limited, to the following:

Basis risk: Basis risk is the risk that fluctuations in the relationship of the interest rate index that determines the value of a Swap and the interest rate on the associated bonds or other debt increases the cost of the transaction to the Agency. To mitigate basis risk (including tax risk), the Agency shall evaluate historical and likely future relationships between relevant interest rates through statistical measures, as applicable, when determining the appropriate structure of a particular Swap, to the greatest extent possible.

Amortization risk: Amortization risk is the risk that the Swap notional amount is not equal to the bond amount being hedged due to a mismatch in amortization. Swaps shall be structured to match the amortization of the associated bonds, to the greatest extent possible. The Agency

shall consider purchasing partial or full par termination options exercisable on critical dates to mitigate this risk, to the greatest extent possible.

Termination risk: When a Swap terminates, a termination payment will be required to be made by one of the counterparties based on the value of the Swap as of the date of the termination without regard to the cause of the termination or which party may have caused the termination. Termination risk is the risk that a Swap could be terminated prior to its scheduled termination date as a result of any of several events relating to either the Agency or the Swap Counterparty, including the Agency's payment default on the Swap or the Bonds, a downgrade of the Agency ratings and other events specified by the terms of the Swap and related Swap documents, or mandatory market termination features included in the terms of a specific transaction. Upon termination of swaps under the program, a termination payment will be due and payable; the Agency may either owe a termination payment to the Swap Counterparty or receive a termination payment from the Swap Counterparty depending on then-prevailing market rates in the relevant market for a Swap. There is no cap to the termination value. The Agency may be able to fund a termination payment from the proceeds of borrowings, although doing so may be costly and inefficient depending on market conditions at the time. The contractual obligation to make a termination payment is unconditional.

Swap Counterparty risk: The risk that a Swap Counterparty is unable to pay its obligations under a Swap is referred to as counterparty risk. If the Swap terminates for any reason, the receipt of any termination payment due to the Agency, if any, would be subject to the Swap Counterparty's ability to make such termination payment. A market termination may require the Agency to make a payment to the Swap Counterparty or vice versa.