September 20, 2010

Dear Colleague,

In response to the interest many of you have expressed about home ownership, I am pleased to announce the extension of the Home Ownership Program-2 ("HOP-2") to assist current residents in NYU housing who are interested in purchasing their own homes. With this program, we seek to achieve two important goals: to help those who want to pursue non-University housing options, and to help meet NYU's pressing need for additional housing units.

Under HOP-2, the University will offer Lifetime Affordable Mortgage Program loans (LAMP), which have zero Current Interest, to eligible affiliate residents of NYU housing to assist with the purchase of their own homes. The LAMP loans will be offered until all of the funds have been committed or until March 31, 2011. A program brochure describing the LAMP loan is available on our website [http://www.nyu.edu/life/living-at-nyu/faculty-housing/Homeownership-Programs.html](http://www.nyu.edu/life/living-at-nyu/faculty-housing/Homeownership-Programs.html)

Additional features and conditions are described below. Our objective is to offer a program that is straightforward and beneficial to as many affiliate residents of NYU housing as possible. We encourage anyone interested in home ownership assistance to review these materials carefully. Of course, participation in this program is entirely voluntary.

This information package explains the program and guides you through the application process. Given the importance of this decision for many of our current residents, individual counseling sessions on home purchasing are available to anyone who would like to participate in HOP-2.

Please do not hesitate to contact the Faculty Housing office staff at 212.998.2209 or facultyhousing.office@nyu.edu with any of your questions or to schedule a time to further explore how this program may help you achieve home ownership. We look forward to hearing from you.

Sincerely,

Karen Gulino
Assistant Vice President
New York University
Faculty Housing & Residential Services
Section I. HOP-2 Eligible Persons

1. For the purpose of the Home Ownership Program-2 ("HOP-2"), Eligible Persons include New York University ("NYU") employees and retirees currently living in NYU-owned rental housing who do not have a pre-existing requirement to vacate (e.g., retirement agreement; pending resignation) or a pre-existing University loan commitment.

2. Visitors, rent controlled tenants, rent stabilized tenants, post doctoral fellows, graduate students, faculty fellows, acting professors, and subtenants are not eligible to participate in the program.

3. Law School, Stern, and Medical faculty in dedicated School apartments are eligible only with the approval of their dean.

4. Subject to the eligible criteria listed above, the Lifetime Affordable Mortgage Program loan (LAMP) may be used in conjunction with the Riverwalk Affordable Mortgage Program (RAMP) loan to purchase a condominium apartment at Riverwalk Landing on Roosevelt Island. For more information, please visit our website at http://www.nyu.edu/faculty.housing/programs/financing.html

Section II. NYU Apartment Size and Maximum Loan Amount

<table>
<thead>
<tr>
<th>NYU Apartment Type</th>
<th>Loan 30% of purchase price to a Maximum LAMP Loan of:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Studio</td>
<td>$ 50,000</td>
</tr>
<tr>
<td>1-bedroom</td>
<td>$100,000</td>
</tr>
<tr>
<td>2-bedroom</td>
<td>$200,000</td>
</tr>
<tr>
<td>3 &amp; 4-bedroom</td>
<td>$275,000</td>
</tr>
</tbody>
</table>

The Maximum Loan column indicates the largest loan that the University can extend to a borrower based on his or her NYU apartment size and the purchase price of the new home.

Section III. HOP-2 Terms and Conditions

1. **Commitment to move:** HOP-2 participants closing with a LAMP loan must commit in writing to leave NYU housing within 30 days of closing on a new home but no later than June 30, 2011.

2. **Portability:** As long as the individual is an active NYU employee or an NYU retiree, the LAMP loan may be used for the purchase of another qualifying property. The original loan principal and contingent interest would be repaid at sale and a new loan of the same amount may be used for the purchase of the second property. If a borrower who is an active employee of the University takes a job elsewhere before retirement, the LAMP loan must be repaid in full.

3. **Qualifying residence:** A LAMP loan may be used to purchase only a "Qualifying Residence". A Qualifying Residence is a single family house, condominium, cooperative, or any other for sale dwelling unit suitable for housing one family that is the primary residence of the borrower. For example, investment properties and life care facilities are not Qualifying Residences. The Eligible Person must occupy the Qualifying Residence as his/her principal residence.

4. **Geographic limit:** Purchased residences must be within the greater NYC
metropolitan area for active employees. For retirees, other geographic areas may be considered on a case by case basis.

5. **NYU pre-qualification**: Financial counseling sessions will be available in the Faculty Housing Office to help participants: 1) confirm that they can satisfy the program’s underwriting guidelines; and 2) determine the maximum affordable home purchase, based on household income, savings available for the down payment, and other factors that may pertain to the participant’s specific personal situation. This session is mandatory because loan applicants must satisfy the program’s underwriting guidelines.

6. **Conventional lender pre-qualification**: Prequalification with a lender is not required if the combination of the borrower’s equity (cash) and the HOP-2 LAMP loan is sufficient for the target purchase. NYU strongly recommends that you get pre-approval by a conventional lender who will recognize the LAMP loan (see paragraph 7).

7. **Subordination requirement**: Most buyers will have a first loan from a conventional lender. The LAMP loan is a second or subordinate loan. For this reason, the primary first lender’s commitment letter needs to recognize the LAMP loan.

8. **Maximum loan amount**: The LAMP loan cannot be for more than 30% of the home purchase price. Assume the borrower is eligible for a $100,000 LAMP loan. If the purchase price is $300,000, the maximum amount would be $90,000 (30% x $300,000). If the purchase price is $500,000, the borrower can use the entire $100,000, which is 20% of the purchase price. In most cases, buyers will be able to use the full HOP-2 amount.

9. **Down payment**: NYU requires a minimum down payment of 10% of the home purchase price. Please note that some co-ops require a down payment greater than 10%. Since LAMP is a loan, it cannot be used as part of the down payment.

10. **Underwriting ratio**: To ensure that a borrower can afford his or her monthly housing costs, all mortgage lenders set a limit on the ratio of housing expenses and payments on other long-term debt to pre-tax household income. The maximum ratio for this program is 35%. Housing expenses include mortgage payments, property taxes (if not included in the assessment), condominium and co-op assessments, and insurance (if not included in the assessment).

**Section IV. Lifetime Affordable Mortgage Program (LAMP) Summary**

1. **LAMP Loan Interest Payments**: LAMP loans have no current interest payments (a nominal half of one percent (0.5%) interest is charged post retirement). However, all borrowers pay Contingent Interest on the Maturity Date (and on the date of any prepayment) in an amount equal to the lesser of (i) NYU’s "Share of Appreciation" (defined below), or (ii) an amount of interest that would result in a return to NYU on the outstanding principal equal to the Applicable Federal Rate in the month the loan is funded plus four percent (4.0%), compounded annually. Contingent Interest is usually a share of appreciation in the value of the home. The Contingent Interest obligation will always be payable from a portion of the proceeds of the sale of the home.

The amount of Contingent Interest paid depends on the purchase price of the home, the duration of the loan, the Maturity Date Fair Market Value (FMV) defined below, the improvements that have been made and other factors that affect the value of all real property. Since these factors vary for each home, the borrower will not know the final amount of interest he/she will pay over the life of the loan until the loan is fully discharged.
NYU’s Share of Appreciation is a fraction, the numerator of which is the outstanding principal of the loan, and the denominator of which is the purchase price of the property. For example, if the appraised FMV equals the purchase price of $500,000, and the LAMP loan amount is $100,000, NYU's Share is 20%.

The Maturity Date Fair Market Value is the sales price of the property or the appraisal value if there is no bona fide sale.

Appreciation is the difference between the adjusted Maturity Date Fair Market Value and the purchase price. For example, if the home value price increases from $500,000 to $550,000, and there are no adjustments, appreciation is equal to $50,000.

NYU’s Share of Appreciation is calculated by multiplying the fraction that is NYU’s Share by the adjusted appreciation. Absent adjustments in the above example, NYU’s Share of Appreciation is $10,000 (20% Share x $50,000 Appreciation = $10,000 Contingent Interest).

2. **Interest payment at retirement**: Upon retirement, the University will charge an interest rate of 0.5% per annum (one half of one percent) on the LAMP loan in order to comply with social security requirements. In the event a loan, at its origination, is made to a retiree, then the loan will have an interest rate of 0.5% per annum at origination. On a $100,000 loan, this interest would amount to $500 to be paid annually.

3. **Tax consequences**: LAMP loans have zero percent current interest (or 0.5% for retirees). The University is deemed, for income tax purposes, to have paid the borrower additional compensation which is then returned to the University as mortgage interest. For borrowers who itemize deductions, these two items generally offset each other for income, but not FICA (Social Security) tax purposes. Compensation/interest will be imputed on the then-outstanding loan principal at the Applicable Federal Rate in effect at the time the LAMP loan is funded (which is based on U.S. Treasury Bill rates). During your employment and after you retire, this deemed compensation/interest will be reported as taxable income each year on Form W-2 and is subject to FICA tax withholding. Each year during the term of the LAMP loan, the imputed income amount will also be reported to you on an IRS Form 1098 statement of mortgage interest paid by you. After you retire from NYU and no longer receive a paycheck, you will be required to remit annual payments to NYU for the amount of social security and Medicare taxes required to be withheld, to the extent such amounts are not covered by the post-retirement interest payable on the Loan. Various aspects of the LAMP loan raise tax issues that a borrower may wish to discuss with his or her tax adviser. NYU makes no representations as to the tax consequences, if any, that may result from the structure of the LAMP transaction.