LIFETIME AFFORDABLE MORTGAGE PROGRAM LOAN ("LAMP")

SUMMARY DESCRIPTION

LAMP is a secured, non-amortizing mortgage loan. Current interest or principal payments are not required during the loan term, except after retirement. However, Contingent Interest is payable at the time of sale, prepayment, or refinancing in an amount limited to the “Maximum Note Rate” as described below. The offer to use a LAMP loan is available to certain (“Eligible Persons”) as designated by New York University (“NYU”). Eligible Persons may purchase homes in which they and their spouses/domestic partners can remain post-retirement. Please note that this program cannot be combined with other University loan commitments.

LOAN AMOUNT

The LAMP loan amount depends on the terms and conditions of each NYU loan program, the availability of program funds, the Purchase Value\(^1\) of the target home, and the specific ownership program. LAMP will always be the lesser of a set dollar amount or a fixed percentage of the purchase price of the Property or its fair market value, subject to the maximum loan amount, whichever is less. If a borrower obtains financing from a conventional mortgage lender, if the lender permits, NYU will agree to subordinate LAMP. NYU requires an appraisal by a licensed appraiser to establish fair market value. Appointments for an affordability counseling session may be made by phoning the Faculty Housing Office, (212) 998-2209.

LOAN TERM

The LAMP loan is due the earliest of (i) the date of death of the spouse or registered domestic partner (the “Survivor”) of the Eligible Person; (ii) the date when the Property or any interest therein is sold or assigned; (iii) the date on which the Property ceases to be the principal place of residence of the Eligible Person, or following the death of the Eligible Person, the date on which said Property ceases to be the principal place of residence of the Survivor; (iv) the date on which the Eligible Person shall cease for any reason whatsoever (including, but not limited to voluntary or involuntary termination) to be an Eligible Person (as hereinafter defined); (v) upon demand of the University; or (vi) otherwise upon the occurrence of other circumstances set forth in the Promissory Note (“Note”). The date on which the LAMP loan is due is called the "Maturity Date".

\(^1\) Purchase Value is the lesser of the purchase price or the appraised Fair Market Value (“FMV”).

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INTEREST PAYMENTS

LAMP loans have no current interest payments, however 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, 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. See Table I for an example of this calculation. 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 Property, the duration of the loan, the Maturity Date Fair Market Value (defined below), the improvements that have been made and other factors that affect the value of the Property. Since these factors vary for each Property, 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. Under certain defined circumstances, the amount due on the Maturity Date may be subject to adjustments, resulting in a reduction of the amount of Contingent Interest payable by the borrower. These adjustments are available only if there has been appreciation in the Property.

NYU’s Share is a fraction, the numerator of which is the Outstanding Principal, and the denominator of which is the Purchase Price of the Property. For example, if the appraised FMV equals the purchase price of $600,000, and the LAMP loan amount is $180,000, NYU’s Share is 30%.

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 house price increases from $600,000 to $700,000, and there are no adjustments, appreciation is equal to $100,000.

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 $30,000. See Table 2 for an example of this calculation.

RETIREMENT INTEREST

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.

CONDITIONS OF THE LOAN

1. Minimum Down Payment Requirement

NYU’s minimum down payment requirement is 10% of the purchase price. Borrowers should be aware that some lenders require larger down payments. The down payment may not be borrowed. Thus, including the LAMP loan, up to 90% of the purchase price can be financed. For
example, for a property with a purchase price of $500,000, up to $450,000 can be financed by both a conventional lender and NYU’s LAMP loan program.

2. Other Financing

If you obtain primary financing from a conventional mortgage lender (a “First Mortgage”), your First Mortgage:
   a) cannot be interest only;
   b) cannot negatively amortize;
   c) cannot have a term of more than thirty years;
   d) cannot have a “balloon” feature; and
   e) if the loan is an adjustable rate mortgage (ARM), the transaction will be underwritten by NYU using the monthly payment required on the thirteenth month.

3. Documents Required for Loan Approval

The Faculty Housing Office (“FHO”) will need a copy of the fully executed purchase contract and other required documents immediately after a purchase offer has been accepted. Loan approval, including meeting NYU’s underwriting guidelines, is necessary before any NYU loan can be funded.

4. Security Instrument

The LAMP loan is secured by a security instrument in the form of a mortgage. The mortgage amount will be recorded as a lien against the Property for the amount of the loan.

5. Insurance

A Certificate of Insurance naming NYU as a mortgagee for real property and condominiums must be provided.

FUNDS NEEDED AT CLOSING

Borrowers should expect to pay certain costs at or before the closing. There may also be fees for loan processing, the credit report, the appraisal, title insurance, and prepaid hazard insurance. Your attorney will provide the total amount of these costs and when they should be paid.

APPRAISAL AT PAYOFF

An appraisal is required whenever all or part of the LAMP loan is repaid unless there is a bona fide sale. This includes partial prepayments or refinancing. The appraisal must be ordered by NYU although it is paid for by the borrower. For purposes of determining Contingent Interest, NYU cannot use an appraisal ordered by another lender or the borrower. The appraisal process is described fully in the LAMP Note.

REPAYMENT OF PRINCIPAL

Upon the Maturity Date, the Original Principal is absolutely due and payable and is not contingent upon the sale price or fair market value of the house, or any other factor.

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ADJUSTMENTS TO MATURITY DATE FAIR MARKET VALUE AT PAYOFF

When the loan is repaid, a borrower may request that he or she receive credit for improvements made to the property, the “Adjustment Improvement”. The Adjustment Improvement must be consistent with any applicable zoning and building codes and all required building permits must have been obtained. To qualify for the credit, the borrower must submit a statement from an independent Certified Public Accountant (CPA). The statement sets forth the following: the date, description, and actual cost of the improvements; and a statement that, in the CPA’s opinion, those items constitute capital improvements for federal income tax purposes and that the costs can properly be added to the homeowner’s cost basis in the Property for purposes of calculating capital gains. The actual cost of the improvements as certified by the CPA will be subtracted from the Maturity Date Fair Market Value for purposes of calculating NYU’s Share of Appreciation. No adjustment of actual cost will be made to account for inflation or labor performed by the borrower. See Table 2 for an example of this calculation.

At resale, the borrower will be responsible for all transfer and other state and local taxes, and these taxes will not be taken into account when determining the Maturity Date Fair Market Value.

TAX ASPECTS OF THE LAMP LOAN

LAMP loans have zero percent current interest. 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 outstanding loan principal at the Applicable Federal Rate (which is based on U.S. Treasury Bill rates). This deemed compensation/interest will be reported as taxable income each year on Form W-2 and is subject to FICA tax withholding. The amount will also be reported to you on an IRS Form 1098 statement of mortgage interest paid by you. 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.

PARTIAL PREPAYMENTS OF PRINCIPAL AND CONTINGENT INTEREST

A borrower may elect to make one or more partial prepayments of principal and Contingent Interest during the term of the loan. Doing so may have beneficial tax and cash flow consequences for the borrower. However, the borrower will not receive a refund of any Contingent Interest paid as part of a prepayment even if the Property subsequently declines in value (thereby resulting in a lower Contingent Interest obligation at the Maturity Date).

The minimum amount of a partial prepayment is $50,000. The borrower must notify NYU in writing that he/she is making a partial prepayment and the amount of the prepayment. The property will then be appraised in accordance with the terms in the Note. The prepayment amount is applied to both principal and outstanding Contingent Interest as follows: the amount of principal reduction equals the original principal (adjusted for any prior prepayments) multiplied by a fraction, the numerator of which is the prepayment amount and the denominator of which is the total amount of principal and Contingent Interest outstanding. The remaining amount of the

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prepayment is applied to reduce the outstanding Contingent Interest. See Table 3 for an example of this calculation.
### TABLE 1. ANNUAL MAXIMUM CONTINGENT INTEREST CALCULATION

<table>
<thead>
<tr>
<th>Year</th>
<th>Principal</th>
<th>Maximum LAMP Note Rate</th>
<th>Maximum Rate x Principal</th>
<th>Current Interest Annual @ 0%</th>
<th>Contingent Interest</th>
<th>Maximum Cumulative Contingent Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0 $100,000</td>
<td>8.79%</td>
<td>$8,790</td>
<td>-</td>
<td>$8,790</td>
<td>$8,790</td>
</tr>
<tr>
<td>2</td>
<td>0 $108,79</td>
<td>8.79%</td>
<td>$9,563</td>
<td>-</td>
<td>$9,563</td>
<td>$18,353</td>
</tr>
<tr>
<td>3</td>
<td>3 $118,35</td>
<td>8.79%</td>
<td>$10,403</td>
<td>-</td>
<td>$10,403</td>
<td>$28,756</td>
</tr>
<tr>
<td>4</td>
<td>6 $128,75</td>
<td>8.79%</td>
<td>$11,318</td>
<td>-</td>
<td>$11,318</td>
<td>$40,073</td>
</tr>
<tr>
<td>5</td>
<td>3 $140,07</td>
<td>8.79%</td>
<td>$12,312</td>
<td>-</td>
<td>$12,312</td>
<td>$52,386</td>
</tr>
<tr>
<td>6</td>
<td>6 $152,38</td>
<td>8.79%</td>
<td>$13,395</td>
<td>-</td>
<td>$13,395</td>
<td>$65,781</td>
</tr>
<tr>
<td>7</td>
<td>1 $165,78</td>
<td>8.79%</td>
<td>$14,572</td>
<td>-</td>
<td>$14,572</td>
<td>$80,353</td>
</tr>
<tr>
<td>8</td>
<td>3 $180,35</td>
<td>8.79%</td>
<td>$15,853</td>
<td>-</td>
<td>$15,853</td>
<td>$96,206</td>
</tr>
<tr>
<td>9</td>
<td>6 $196,20</td>
<td>8.79%</td>
<td>$17,246</td>
<td>-</td>
<td>$17,246</td>
<td>$113,452</td>
</tr>
<tr>
<td>10</td>
<td>2 $213,45</td>
<td>8.79%</td>
<td>$18,762</td>
<td>-</td>
<td>$18,762</td>
<td>$132,215</td>
</tr>
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</table>

### TABLE 2. PRINCIPAL AND CONTINGENT INTEREST DUE IF PAYOFF IN YEAR 10

<table>
<thead>
<tr>
<th>Annual House Price Appreciation Rate</th>
<th>0.0%</th>
<th>5.0%</th>
<th>8.5%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximum Annual Interest Rate</td>
<td>8.79%</td>
<td>8.79%</td>
<td>8.79%</td>
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</table>

#### Purchase Assumptions

<table>
<thead>
<tr>
<th></th>
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<th>5.0%</th>
<th>8.5%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase Price</td>
<td>$500,000</td>
<td>$500,000</td>
<td>$500,000</td>
</tr>
<tr>
<td>LAMP Principal</td>
<td>$100,000</td>
<td>$100,000</td>
<td>$100,000</td>
</tr>
<tr>
<td>NYU's Share</td>
<td>20%</td>
<td>20%</td>
<td>20%</td>
</tr>
</tbody>
</table>

#### Adjustments to Due Date Fair Market Value

<table>
<thead>
<tr>
<th></th>
<th>0.0%</th>
<th>5.0%</th>
<th>8.5%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Due Date Fair Market Value</td>
<td>$500,000</td>
<td>$814,447</td>
<td>$1,130,492</td>
</tr>
<tr>
<td>Adjustment Improvements</td>
<td>(25,000)</td>
<td>(25,000)</td>
<td>(25,000)</td>
</tr>
<tr>
<td>Real Estate Broker's Commission</td>
<td>(30,000)</td>
<td>(48,867)</td>
<td>(67,830)</td>
</tr>
<tr>
<td>Adjusted Due Date Fair Market Value</td>
<td>$445,000</td>
<td>$740,580</td>
<td>$1,037,662</td>
</tr>
</tbody>
</table>

#### Appreciation

<table>
<thead>
<tr>
<th></th>
<th>0.0%</th>
<th>5.0%</th>
<th>8.5%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted Due Date Fair Market Value</td>
<td>$445,000</td>
<td>$740,580</td>
<td>$1,037,662</td>
</tr>
<tr>
<td>Purchase Price</td>
<td>(500,000)</td>
<td>(500,000)</td>
<td>(500,000)</td>
</tr>
<tr>
<td>Total Adjusted Appreciation</td>
<td>$0</td>
<td>$240,580</td>
<td>$537,662</td>
</tr>
</tbody>
</table>

#### NYU's Share of Appreciation

<table>
<thead>
<tr>
<th></th>
<th>0.0%</th>
<th>5.0%</th>
<th>8.5%</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. 20% x Adjusted Appreciation</td>
<td>$0</td>
<td>$48,116</td>
<td>$107,532</td>
</tr>
</tbody>
</table>

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<table>
<thead>
<tr>
<th></th>
<th>First Column</th>
<th>Second Column</th>
<th>Third Column</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payoff Amount: Contingent Interest +Principal</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contingent Interest Due (lesser of a or b above)</td>
<td>$0</td>
<td>$48,116</td>
<td>$107,532</td>
</tr>
<tr>
<td>LAMP Principal</td>
<td>$100,000</td>
<td>$100,000</td>
<td>$100,000</td>
</tr>
<tr>
<td>Total Due</td>
<td>$100,000</td>
<td>$148,116</td>
<td>$207,532</td>
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</tbody>
</table>

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TABLE 3. PARTIAL PREPAYMENT OF $50,000 MADE AT THE END OF YEAR 3

<table>
<thead>
<tr>
<th>Purchase Assumptions</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase Price</td>
<td>$500,000</td>
</tr>
<tr>
<td>LAMP Principal</td>
<td>$100,000</td>
</tr>
<tr>
<td>NYU’s Share</td>
<td>20%</td>
</tr>
</tbody>
</table>

**Prepayment Calculation**

Contingent Interest Due, end of Year 3 (see Table 1) $28,756

Plus LAMP Principal $100,000

Equals Total Principal + Contingent Interest $128,756

Partial Prepayment $50,000

Divided by Total Principal + Contingent Interest $128,756

Equals the Fraction 38.833%

LAMP Principal $100,000

Times the Fraction 38.833%

Equals Amount of Principal Reduction $38,833

Total Prepayment $50,000

Less Amount of Principal Reduction ($38,833)

Equals Amount of Contingent Interest Paid $11,167

**New Principal and NYU’s Share Calculation**

Beginning Principal Balance $100,000

Less Amount of Principal Reduction ($38,833)

Equals New Principal Balance $61,167

New Principal Balance $61,167

Divided by Purchase Price $500,000

Equals New NYU’s Share 12.233%

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APPENDIX 1.
ELIGIBLE PERSONS

Eligibility for LAMP is limited to Eligible Persons who (a) have been approved by the President or Provost, (b) are buying a home in the local area that will be owner occupied, and (c) otherwise meet NYU’s underwriting guidelines. For the purpose of the Homeownership Program, Eligible Persons also include NYU employees currently living in NYU-owned rental housing who do not have a pre-existing requirement to vacate (e.g., retirement agreement; pending resignation). Visitors, rent controlled tenants, rent stabilized tenants, post doctoral fellows, graduate students, faculty fellows, acting professors, retirees, and subtenants are not eligible to participate in the program. Medical faculty in dedicated Medical School apartments are not eligible. The Eligible Person must occupy the Qualifying Residence as his/her principal residence.

APPENDIX 2.
NEW YORK UNIVERSITY LOAN SUBORDINATION POLICY

Typically, when a NYU borrower purchases a home, he/she obtains a conventional mortgage loan that is secured as a first mortgage. The University’s loans are then recorded as a second and/or third mortgage loans. After the initial purchase, a NYU borrower can refinance his/her first mortgage, get a line of credit, or get a home equity loan, only if NYU agrees to subordinate its loans to those of the outside lender. Subordination is a process by which a lender’s claims are ranked. If the University agrees to subordinate to a new loan, the new loan will be recorded in a superior position to an existing NYU mortgage secured to the property.

The purpose of NYU’s subordination policy is twofold. The first is a fiduciary obligation to protect the endowment’s investment. Also, while most NYU loans are recourse, as a practical matter, the University does not want to be in the position of having to collect on a bad loan. The Trustees approved NYU loan programs with the understanding that the University would follow prudent business and lending practices.

Combined Loan to Value (“CLTV”) and Equity Value (“EV”)

In addition to verifying whether the borrower can afford the monthly housing expenses, lenders compare the loan total against the home’s fair market value. This ratio is called the CLTV. Because home values are subject to decreases as well as increases in market value, the equity test for home improvement loans, refinancing, and lines of credit is more stringent than the initial down payment. The CLTV is the ratio of liens, including Contingent Interest on the loan, divided by the home’s appraised value. Sometimes, future value appraisals are used if the borrower plans home improvements.

It is important to assess the Equity Value (“EV”) as well as the CLTV when estimating the risk associated with loans and responding to subordination requests. Considering the lien total without looking at cost of sale may overstate the borrower’s real equity position. The borrower’s equity calculation, or EV, subtracts the total of loans, transfer taxes, flip taxes, and realtor’s fee from the appraised home value.2

2 Flip taxes for co-ops can range from 1% to 3% of the sale price. City and state transfer taxes are 1.825% of the sale price.

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Subordination Policy

1. IF REFINANCING THE FIRST MORTGAGE

The University will agree to subordinate to a new first mortgage if the borrower is refinancing an existing first mortgage loan, and the terms of the new loan are beneficial to the borrower. The new first mortgage amount must be equal to or less than the original first mortgage amount.

2. IF THE LINE OF CREDIT IS FOR MEDICAL EMERGENCIES OR OTHER SPECIAL CIRCUMSTANCES SUCH AS COLLEGE TUITION

With the approval of the Provost and Executive Vice President, NYU will consider requests to subordinate to a line of credit for a maximum of $75,000 for medical emergencies, tuition, or other special circumstances.

3. IF CASH OUT, LINE OF CREDIT OR HOME IMPROVEMENT LOAN (Both conditions must be satisfied):

   A. CLTV: If the borrower requests NYU to subordinate to an additional loan such as a home equity line of credit or to increase in the existing first mortgage to realize cash or consolidate debt, the maximum CLTV may not exceed eighty (80%) of the current fair market value, as determined by an independent appraisal of the subject property. The appraisal needs to be ordered by NYU, and dated not more than ninety days from the time of the subordination is requested. The CLTV includes the total of the principal balance of the new loan, the principal balance or balances of all other loans secured to the property plus the Contingent Interest due on the LAMP loan at the time of the subordination request.

   B. EV: Subordination requests will be considered if the Equity Value (“EV”) is 10% or more.

New First Mortgage Amount Loan Terms

Mortgage loans with conventional lenders when combined with University programs:

1. Cannot be interest only;
2. Cannot negatively amortize;
3. Cannot have a term of more than thirty years;
4. Cannot have a “balloon” feature; and

The realtor fee is usually 6% of the sale price.

3 NYU requires 10% borrower equity at purchase. Increasing the CLTV to 80% CLTV limits the risk of default if the market declines.

4 Bank ordered appraisals cannot be used since their purpose is to insure that the bank’s loan is protected. NYU’s position is subordinate to the first lender. Since NYU’s loans are in place behind the first lender’s, essentially all risk runs to NYU and not to the first lender. An appraisal may cost the borrower around $1,000 or more.

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5. Cannot have a prepayment penalty.

**Underwriting Guidelines**

The maximum housing expense (including long term debt) to income ratio for NYU approval is thirty-five percent (35%) of gross household annual income. This calculation includes the total cost of the principal and interest payments of the new loan, the costs of the remaining loans secured to the property, plus taxes, insurance and any other fixed monthly expenses. All income and expenses must be documented.