

SUBORDINATION – SUMMARY

November 14, 2023

After amendment of the auto-subordination law in 2020 (MD House Bill 314), an existing MMP DPA loan is only subordinated in certain circumstances. (This does not apply to MD SmartBuy 3.0 student payoff loans which are unsecured and do not require subordination, but CDA and USB still must be notified.) These acceptable subordination circumstances are:

- If using an MMP [97% LTV FNMA Conventional Refinance Loan](#) (which will allow subordination of any MMP DPA lien including MD SmartBuy liens); **OR**
- For subordination of the MD SmartBuy 2.0 second lien only (forgivable loan used for payoff of student debt) to a new first (non-MMP) mortgage. The new first mortgage must be a NO CASH OUT refinance --- no funds to borrower and no other accounts paid off. The third DPA loan (if applicable) must be repaid upon payoff or refinance of the MMP first mortgage.

For either of the above circumstances, lender must follow this process:

- 1) The lender must request MMP approval via email to singlefamilyhousing.dhcd@maryland.gov. Include the borrower name, the existing MMP loan number, and whether they plan to use the MMP 97% Conventional Refi product (must be an MMP-approved lender) or a non-MMP refinance.
- 2) If the loan meets the criteria, MMP will direct the lender to the Asset Management Officer in the Division of Credit Assurance.
To review the request, he will need copies of the following emailed to him:
 - 1003
 - 1008
 - title binder/title work
 - copy of appraisal if one is being obtained
 - letter from new lender stating terms of new loan (rate, payment, term, amount)

-A fee of \$150 is charged for a subordination review fee---the check should be mailed to:

Maryland DHCD Central Cashier
P O Box 2521
Landover Hills, MD 20784

Once the required documentation and fee are received, it will be reviewed. If approved, the Subordination Agreement will be prepared and executed, and then

it can be sent to the lender or title company, as needed. If overnight service is required, please forward an overnight label (Fed Ex or UPS).

We ask you to not schedule closing until we give you a firm date of when the Subordination Agreement will be ready.

- 3) **After obtaining approval and the MMP-signed Subordination Agreement**, lender emails PRPayoffQuoteRequestMAL@usbank.com AND rodney.martin2@usbank.com and includes:
 - Subordination Agreement. (This document is essential to obtain the correct payoff quote that excludes the second and/or third liens, depending on the situation.)
 - Borrower Authorization for payoff (lender proprietary document)
 - Details of where to direct payoff quote
- 4) Lender includes Subordination Agreement in the purchase package to US Bank after closing.