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**Maryland  
Department of  
Housing and  
Community  
Development**

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[www.mmprogram.org](http://www.mmprogram.org)

# **LENDER'S MANUAL**

**for the**

## **Down Payment Assistance (DPA) Programs**



The Maryland Department of Housing and Community Development (DHCD) pledges to foster the letter and spirit of the law for achieving equal housing opportunity in Maryland.

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THE FOLLOWING **DPA PROGRAMS** ARE LOCATED ON THE WEBSITE AT:  
<http://mmp.maryland.gov/Lenders/Documents/DPAManual.pdf>

### Downpayment and Settlement Expense Loan Program (DPA)

- House Keys 4 Employees (HK4E) Program
- Smart Keys 4 Employees (SK4E) Program
- Builder/Developer Incentive Program (BDIP)
- Community Partner Incentive Program (CPIC)
- Base Realignment and Closure Program (BRAC)

The following Down Payment Assistance Loan Program documents are located on the above-referenced website:

- A. BORROWER'S APPLICATION AND AFFIDAVIT
- B. DEED OF TRUST
- C. DEED OF TRUST NOTE
  
- DD. DPA/PARTNER MATCH PRE-CLOSING COMPLIANCE CHECKLIST
- FF. DPA/PARTNER MATCH POST-CLOSING COMPLIANCE CHECKLIST

**PLEASE NOTE:** Funds for the Down Payment Assistance Loan Programs (DPA) are reserved in Lender-on-Line (LOL) in conjunction with a reservation of Maryland Mortgage Program (MMP) first mortgage funds

## **SECTION 1 ELIGIBILITY REQUIREMENTS**

1.1 **ELIGIBLE JURISIDICCTIONS:** Available statewide

1.2 **GENERAL BORROWER ELIGIBILITY:** must meet MMP eligibility requirements described in the Lender's Compliance Manual for the MBS Program

### 1.3 **ELIGIBLE SETTLEMENT EXPENSES**

DPA loans may be used to fund settlement expenses and/or down payment subject to the requirements of the insurer/guarantor. Included are all settlement expenses that are paid when a home is purchased, such as:

- a. Fees or premiums for title examination, title insurance or similar expenses;
- b. Fees for preparation of a deed, settlement statement, or other documents;
- c. Payments owed at the time of settlement for property taxes or hazard insurance coverage;
- d. Escrows for future payments of taxes and hazard insurance;
- e. Fees for notarizing deeds and other documents;
- f. Transfer and recordation taxes and fees;
- g. Fees for premiums for mortgage insurance or guarantee;
- h. Loan discount points and origination fees;
- i. Up to 30 days of prepaid interest;
- j. Appraisal and credit report fees;
- k. Home inspection fees;
- l. Home warranty fees; and
- m. Other reasonable and customary prepaid expenses.

### 1.4 **ELIGIBLE FIRST MORTGAGES**

- a. Must be a purchase money mortgage loan originated under CDA's Maryland Mortgage Program (MMP)
- b. May not be used in conjunction with a refinance loan

1.5 **HOME BUYER EDUCATION:** if a borrower is buying a home in one of the following jurisdictions and requesting a Downpayment and Settlement Expense Loan Program (DPA) loan and/or a Partner Match Program loan, the unique requirements listed below must be met:

- a. **Anne Arundel County** (does not include the City of Annapolis)
  - 1) Any HUD-certified counseling agency may provide the counseling; and
  - 2) The borrower is required to graduate from a Homebuyer Counseling Program that includes at least eight hours of education on credit, budget, savings, the settlement process and mortgage products
- b. **Baltimore City**

Any prospective home buyer purchasing a home in Baltimore City **and receiving funds from a Baltimore City program** must meet the following requirements:

- 1) complete homeownership counseling from a Baltimore City-approved housing counseling agency and
- 2) obtain a counseling certificate before entering into a contract of sale to purchase a home

c. **Baltimore County**

1) **Counseling must be received from one of the following counseling agencies:**

- a) Diversified Housing Development;
- b) Eastside Community Development Corporation, Inc.;
- c) Harbel Housing Partnership Program;
- d) Neighborhood Housing Services of Baltimore, Inc.; or
- e) Southeast CDC

2) All workshop and individual counseling must be completed and counseling certificate received before the borrower enters into a contract of sale to purchase a home

d. **Harford County**

- 1) Homebuyer education may take the form of a face-to-face tutorial, classroom or workshop session conducted by a HUD-certified counseling agency or by a lender that uses the services of a mortgage insurer with an established education/counseling program;
- 2) Homebuyer education must be received prior to the DPA loan closing

## **SECTION 2 LOAN PROCESSING**

### 2.1 **LOAN RESERVATION**

Funds are reserved in LOL when the MMP first mortgage is reserved

## **SECTION 3 LOAN CLOSING**

### 3.1 MANNER IN WHICH TITLE WILL BE HELD:

#### **TENANTS IN COMMON IS NOT A PERMITTED FORM OF OWNERSHIP**

All property shall be conveyed in one of the following ways:

- a. Single person—SOLE OWNER (can be listed just as borrower's name—does not have to say "sole owner")

- b. Husband and wife—TENANTS BY THE ENTIRETY. This form of ownership can be stated in one of the following ways (names are for example purposes only!):
- (1) John Doe and Mary Doe, his wife
  - (2) John Doe and Mary Doe, husband and wife
  - (3) John Doe and Mary Doe, tenants by the entirety
  - (4) John Doe and Mary Doe, married
- c. Unmarried persons or three or more persons—must state JOINT TENANTS.

## **REVOCABLE TRUSTS ARE NOT PERMITTED**

### 3.2 LIEN POSITION

If borrower is receiving MMP and DPA/Partner Match Program then:

- a) MMP loan must be recorded in first lien position
- b) DPA/Partner Match Program loan must be recorded in second lien position or third lien position (with CDA's approval); CDA will consider approval of DPA loan in third lien position if the loan in second lien position is a:
  - 1) loan from a federal, state or local government agency or a nonprofit agency considered an instrumentality of government
  - 2) Wells Fargo CityLIFT Homeownership Incentive Program loan on a property located in Baltimore City

### 3.3 TITLE INSURANCE

- a. Title insurance is not required on a DPA Loan
- b. DPA/Partner Match Program loan must be shown on the title policy as being in second (or third, with CDA approval) lien position

### 3.4 FEES

- a. No settlement fees may be charged to close the DPA/Partner Match Program loan
- b. The only fee that may be charged on a DPA/Partner Match Program loan is the Deed of Trust recording fee

### 3.5 DOWN PAYMENT ASSISTANCE PROGRAM FUNDS

Effective **January 2, 2015**, lenders are responsible for funding the Down Payment Assistance (“DPA”) loans at closing. The Community Development Administration (“CDA”) will reimburse the lenders twice a month, in the month immediately following the month the MMP loans are closed.

In order for the first mortgage to be acceptable to FHA and receive insurance, the loan file submitted to US Bank must contain the following:

- A copy of the Commitment Letter from CDA verifying that a commitment was made by us to ultimately fund the DPA loan (downloaded from Lender Online by the lender after MMP and DPA loans are pre-closing compliance approved).
- The Award Letter certifying the origin of DPA funds as received from the Maryland DHCD (downloaded from Lender Online by the lender after MMP and DPA loans are pre-closing compliance approved).

- US Bank's DPA Funding Verification Form USB002

More details on lender reimbursement are available in the Directive 2015-3.

### 3.6 CLOSING AGENT RESPONSIBILITIES

- a. DPA loans may not be closed until a commitment letter, closing instructions and loan documents are provided to the closing agent by the lender.
- b. DPA Loan(s) may only be closed in conjunction with an MMP first mortgage loan, using the Program's forms
  1. DPA Loan(s) must be closed using the forms provided on the MMP website or in LOL
  2. Closing documents must include a Commitment Letter, with the original signature(s) of the borrower(s)
  3. The DPA loan Deed of Trust Note and Deed of Trust (found on the MMP website or LOL must be used
  4. If a HUD-1 is prepared for the DPA loan, the Maryland Department of Housing and Community Development (Maryland DHCD) must be shown as the Lender. However, a separate HUD-1 is **not** required for the DPA loan
- c. The closing agent for the first mortgage loan must also close the DPA loan

## SECTION 4 POST CLOSING PROCEDURES

### 4.1 POST CLOSING COMPLIANCE SUBMISSION TO CDA

**DPA/Partner Match Program** – submit post closing compliance package to CDA for review using Attachment FF

- a. CDA will list post-closing compliance conditions, if any, to be cleared in LOL
- b. Submit conditions via fax # 410-510-1406 or email CDA\_Conditions@dhcd.state.md.us for CDA review
- c. Approved compliance files will receive a CDA Compliance Approval Certificate found on LOL under the MMP reservation loan number. The Approval Certificate needs to be submitted to the Master Servicer in the Purchase file

## SECTION 5 PURCHASE/LOAN SERVICING TO MASTER SERVICER

### 5.1 PURCHASE/LOAN SERVICING BY MASTER SERVICER

- a. Submit purchase review files to the current Master Servicer, US Bank. All DPA Program loans purchased by US Bank are also serviced by US Bank.
1. Refer to the Lender's Compliance Manual for the MBS Program for instructions on how to clear Master Servicer's purchase conditions.
  2. SFH Compliance Approval Letter – Refer to the Maryland Mortgage Program Manual
  3. Final documents are sent to the applicable servicer.
- b. Payoff requests should be made through the applicable servicer:

US Bank  
FAX: 216-475-8572  
US Bank Home Mortgage – MRBP Division  
Payoffs/Assumptions/Partial Releases  
17500 Rockside Road  
Bedford, Ohio 44146  
Mail Code CN-OH-R1BI

Bank of America

**Phone:** 800-669-5833

M & T Bank  
PHONE: 716-848-3657 or  
716-848-7859  
1 Fountain Plaza  
Buffalo, New York 14240

Bogman, Inc.  
PHONE: 1-877-482-1051  
12301 Old Columbia Pike  
Suite 200  
Silver Spring, MD 20904

## 5.2 DOWN PAYMENT ASSISTANCE LOAN PROGRAM/ SUBORDINATION POLICY

### **DOWN PAYMENT ASSISTANCE (DPA) PROGRAM LOAN**

#### **SUBORDINATION POLICY**

(updated May 2015)

#### **A: For FHA, VA, RHS or Conventional Refinances for loans serviced by M&T or Bogman**

A Maryland Mortgage Program (MMP) borrower with a DPA loan and/or Partner Match Program loan, serviced by M&T or Bogman, has two main options when they refinance their MMP loan:

1. Apply for a loan under one of CDA's refinance programs and if the request is approved, they can have their existing DPA loan subordinated behind their new first mortgage loan. The DPA loan will retain its 0%, deferred terms.
2. If the above option is not preferred and the borrower chooses to refinance their CDA first mortgage loan with a non-CDA loan, their DPA loan must be paid off as required by the DPA Deed of Trust Note. The total payoff figure provided by the Servicer will include the DPA amount.
3. If CDA determines (on a case-by-case basis) that the non-CDA loan terms are more advantageous to the borrower than that of CDA, and the borrower is unable to pay off the DPA loan, CDA may consider the following DPA amortization schedule:

Any unpaid balance of the DPA loan must be amortized over a **10 year period** at the ***interest rate of 5%***.

- The DPA loan may be paid off at any time without a prepayment penalty.
- Only one subordination of the original DPA loan will be permitted.
- No "cash out" is permitted.

Notwithstanding the above, if an appraisal is required and the appraisal shows that the borrower has sufficient equity to pay off their DPA loan, then the borrower will be required to pay it off in full.

#### **DPA SUBORDINATION INSTRUCTIONS**

To initiate a DPA subordination request, the lender will contact the Single Family Ombudsmen at [SingleFamilyHousing@mdhousing.org](mailto:SingleFamilyHousing@mdhousing.org) or directly at:

410-514-7519 (Vicki Jones)  
410-514-7528 (Ed Anthony).

If CDA approves the subordination and amortization as per item 3 above, the file will be transferred to DCA (the Division for Credit Assurance) for further action.

**B: For CDA loans serviced by Bank of America and US Bank, refinancing under an existing CDA program, the DPA loans will be subordinated behind their new first mortgage loan. The DPA**

loan will retain its 0%, deferred terms. If they refinance outside the CDA programs, the DPA loan must be paid off as required by the DPA Deed of Trust Note. The total payoff figure provided by the Servicer will include the DPA amount.

## **SECTION 6 FINAL DOCUMENTS SUBMISSION TO MASTER SERVICER**

### **6.1 FINAL DOCUMENT SUBMISSION TO MASTER SERVICER**

Submit the original recorded DPA Loan Program Deed of Trust in the Final Documents Submission to the Master Servicer, US Bank.

## **DPA ONLY/PARTNER MATCH PROGRAM**

## **SECTION 7 DPA/PARTNER MATCH PROGRAM REQUIREMENTS**

### **7.1 DPA ONLY**

- a. The maximum DPA loan amount may change from time to time – the current limit is posted on the DPA Fact Sheet on the MMP website at:  
[http://www.mmprogram.org/DPA\\_factsheet.html](http://www.mmprogram.org/DPA_factsheet.html).
- b. Loan amount to be rounded down to the nearest \$50.00 and is not to include cents

### **7.2 PARTNER MATCH PROGRAMS**

- a. House Keys For Employees (HK4E) partners must be listed on the approved “List of Participating Employers”

Smart Keys 4 Employees (SK4E) Program is a “Smart Growth” enhancement to the House Keys 4 Employees (HK4E) Program that allows borrowers to receive an additional \$1,000 match; eligible borrowers must meet all of the below criteria for SK4E program:

- 1) Borrower’s current employer is listed on the “List of Participating Employers” (<http://www.mmprogram.org/hk4eParticipating.aspx>);
  - 2) Borrower’s employer signs the HK4E Verification of Partner Contribution form;
  - 3) Borrower’s new residence must be located in a Priority Funding Area (PFA);  
**AND**
  - 4) Subject property is within the boundaries of the local jurisdiction in which the borrower’s place of employment is located **OR** within a 10 mile distance of the borrower’s place of employment if it is not located within the same jurisdiction as the borrower’s place of employment
- b. Builder/Developer Incentive Program (BDIP) partners must be listed on the approved “List of Participating Builder/Developer”
  - c. Community Partner Incentive Program (CPIP) partners must be listed on the approved “List of Community Partners”

**7.3 MAXIMUM LOAN AMOUNT FOR PARTNER MATCH PROGRAMS**

- a. When using one partner or a combination of partners (HK4E/BDIP/CPIP) the maximum match from CDA is \$2,500 (excluding State of Maryland employees)
- b. A State of Maryland employee can receive \$1,250 from the State of Maryland as the employer + \$1,250 HK4E Program match for a total HK4E loan of \$2,500. Eligible borrowers can receive an additional \$1,000 from the SK4E Program with supporting documentation + up to an additional \$1,250 match for a contribution from one of the Partner Match Programs for a total maximum loan amount of \$4,750
  - 1) Total funds for the State of Maryland employee are reserved in LOL under the appropriate program codes
  - 2) State of Maryland employers EXCLUDED from this program include the University System of Maryland (<http://www.usmd.edu/>)

**7.4 BASE REALIGNMENT AND CLOSURE (BRAC) MATCH PROGRAM**

- a. BRAC Eligibility
  - 1) Eligible federal agency employees present a copy of their relocation orders, such as Permanent Change of Station Orders - DD Form 1614
  - 2) Relocating employees that do not have Permanent Change of Station orders, other official forms documenting both their employer’s relocation to Maryland from another state and the employee’s entitlement to relocation costs or expenses will also be accepted
  - 3) Defense contractor employees must provide a letter from their employer, stating that the employee’s move is due to the 2005 BRAC decisions or the relocation of other federal defense agency activities to Maryland. The letter must describe the type of relocation or home buying assistance the employee is entitled to receive from their employer as a result of this move. The employee then provides the “Contractor’s Letter” to the Maryland Mortgage Program lender to show their eligibility for the BRAC Match
- b. BRAC Match maximum amount is up to \$2,500 and loan amounts are to be rounded down to the nearest \$50.00 and are not to include cents
- c. BRAC match can be used in conjunction with DPA and/or Partner Match Programs

**7.5 DPA/PARTNER MATCH PROGRAM REQUIRED DOCUMENTATION**

<b>Program/Programs:</b>	<b>Documentation</b>	<b>Required</b>	<b>Pre-Closing Document</b>	<b>Post Closing Document</b>
<b>DPA/Partner/BRAC Match program(s)</b>	Borrower’s Application and Affidavit	YES	<input checked="" type="checkbox"/>	

<b>DPA/Partner/BRAC Match program(s)</b>	Good Faith Estimate and/or preliminary HUD 1 settlement sheet	YES	<input checked="" type="checkbox"/>	
<b>HK4E, BDIP and/or CPIP</b>	HK4E/BDIP/CP/IP – Verification of Partnership Contribution Form <b>(HK4E State of Maryland Employers ONLY: Copy of borrower State of Maryland Paystub in lieu of HK4E Verification of Partnership Contribution Form</b>	YES	<input checked="" type="checkbox"/>	
<b>SK4E Program</b>	<ul style="list-style-type: none"> <li>▪ Priority Funding Area (PFA) printout</li> <li>▪ Copy of driving directions (ex.MapQuest) OR documentation that new residence is in same jurisdiction (county) as place of employment</li> </ul>	YES	<input checked="" type="checkbox"/>	
<b>BRAC Program</b>	BRAC Eligibility Documentation	YES	<input checked="" type="checkbox"/>	
<b>DPA/ Partner/BRAC Match program(s )</b>	DPA/Partner/BRAC Match Program Closing Instructions	YES	<input checked="" type="checkbox"/>	
<b>DPA/ Partner/BRAC Match program(s )</b>	DPA/Partner/BRAC Match Program Commitment Letter	YES	<input checked="" type="checkbox"/>	
<b>DPA/ Partner/BRAC Match program(s )</b>	DPA/Partner/BRAC Match Program Note	YES		<input checked="" type="checkbox"/>
<b>DPA/ Partner/BRAC Match program(s )</b>	DPA/Partner/BRAC Match Program DOT	YES		<input checked="" type="checkbox"/>

## **SECTION 8 LOAN TERMS AND CONDITIONS**

### 8.1 MORTGAGE TERM

Same as MMP first mortgage

The DPA/Partner Match Program mortgage is a deferred **loan**, not a grant, and is due at the earlier of maturity or prepayment of the first mortgage, sale or transfer of the property or default under the DPA/Partner Match Program loan

### 8.2 INTEREST RATE The interest rate is currently 0% per annum.



### 8.3 ASSUMPTION

A DPA loan may not be assumed unless the property is transferred to a spouse, divorced spouse or child who resides in the mortgaged property or the transfer is otherwise in accordance with federal law and the written pre-approval of the insurer or guarantor of the first mortgage and the Division of Credit Assurance is obtained. Send request to:

Department of Housing and Community Development  
Division of Credit Assurance  
Single Family, Room 3.531  
100 Community Place  
Crownsville, Maryland 21032-2023

## **SECTION 9 LOAN CLOSING**

### 9.1 FEES

- No fee may be paid to lender over and above the fees charged on the first mortgage loan.
- The only fee to be listed as the buyer's closing cost on the DPA HUD-I (if provided) is the recording fee for the DPA Deed of Trust

The DPA/Partner Match Program deed of trust is exempt from recordation and transfer taxes pursuant to Sections 12-108 (a)(1), 13-207 (a)(1), and 13-402.1 (b)(2) of the Tax Property Article of the Maryland Annotated Code