



MARYLAND MORTGAGE
Making Homeownership Affordable

FACT SHEET: MARYLAND SMARTBUY

This initiative enables qualified borrowers with student debt to purchase a selected home owned by the Department of Housing and Community Development (the Department) in the state of Maryland, and receive standard financing through the Maryland Mortgage Program administered by the Community Development Administration (CDA).

PURPOSE

To help manage the overall housing expenses for a borrower who is purchasing a Department-owned property and has an existing student debt (which can be in repayment or deferred status) balance of a minimum of \$1,000 and up to a maximum of 15% of the home purchase price. The Department will provide up to 15% of the home purchase price for the borrower to pay off the outstanding student debt. **The whole student debt must be entirely paid off at the time of the home purchase. No remaining student loan debt after the loan closing under this program is allowed.**

TRANSACTION STRUCTURE

Purchase Price	The purchase price of the home is based on the market value and appraisal and listed by the Department on its website for the properties available under this program.
Mortgage Product	<p>Up to 95% of the sales price will be financed with the first mortgage (30-year conventional amortizing mortgage loan). The first mortgage will be pooled into a FNMA Mortgage Backed Securities (MBS) structure.</p> <p>The second mortgage is a 5-year forgivable loan in the amount of up to 15% of the purchase price; it will be used to pay off the borrower's outstanding student debt balance at the time of home purchase. The student debt loan must be in the borrower's name and for the borrower's education.</p> <p>The second mortgage is a 0% interest deferred loan with no monthly payments, forgivable over 5 years at 20% rate per year on each anniversary date (remainder due upon sale or refinance if the event takes place within the first 5 years from the settlement of the first mortgage).</p> <p>The second mortgage will be secured by a second lien on the property.</p>
Down Payment and Settlement Expense Assistance	If the borrower desires it, a third mortgage will be provided by CDA as a regular Down Payment Assistance loan of \$5,000, 0% deferred (due upon sale, payoff, transfer, or refinance of the first mortgage), subordinated to the first and second mortgage. The third mortgage will be funded by lender at closing, in line with the current Down Payment Assistance funding process, and CDA will reimburse the lender in accordance with the already established Down Payment Assistance reimbursement process detailed in Directives 2015-27 and 2015-03.
Down Payment Required From the Borrower	The borrower will bring a minimum of 5% of the sales price as borrower's contribution to the transaction (down payment).
Mortgage Insurance	The approved Private Mortgage Insurance (PMI) partners for this program are: Genworth and Radian . The HFA Preferred Program offered by FNMA is applicable. 1008 must include the Special Feature Code 741.
Total Program Limit	Ongoing program subject to availability of eligible properties for sale by the Department
Combined Loan to Value (CLTV)	Max of 120% (Value is based on home purchase price which is calculated considering the market value and appraisal, per FNMA's guidelines.)
Geographic Limitations	Maryland statewide (see ELIGIBLE PROPERTIES below for additional parameters)
Eligible Borrower	Any creditworthy borrower, based on Fannie Mae and PMI underwriting standards, with student debt of at least \$1,000 (see ELIGIBLE BORROWERS section below for additional parameters)
Master Servicer	US Bank

PARTNER MATCH PROGRAM

Not available with this program. Other available assistance from employers, builders, developers, non-profits, etc. may be utilized by the borrower in combination with this initiative **only if the assistance comes in the form of grants** (which are not included in the calculation of the Combined Loan to Value ratio and will not be matched by the Department's funds).

For more information, please visit:

**mmp.Maryland.gov/
SmartBuy**

Single Family Housing - Community Development Administration
Maryland Department of Housing and Community Development
7800 Harkins Road • Lanham, MD • 20706



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MARYLAND HOME CREDIT PROGRAM

Not available with the program

ELIGIBLE PROPERTIES

Selected Department Real Estate Owned (REO) properties only. The properties available under this program will be listed on the Department's website at <http://dhcd.maryland.gov/Residents/Pages/reo/default.aspx> and on the Maryland Mortgage website at mmp.maryland.gov/SmartBuy.

ELIGIBLE BORROWERS

- Specific requirements for borrowers with existing student loan debt:
 - ✓ Minimum remaining balance of student loan debt of \$1,000 and up to a maximum of 15% of the sales price. The student loan has to be in the name of the borrower for the borrower's education. The loan included in the statement has to be easily identifiable as a student loan and it has to match the loan/s listed in the borrower's credit report.
 - ✓ The student loan may be in repayment or deferred status.
 - ✓ An eligible educational institution is an accredited public, nonprofit, or proprietary (privately owned profit-making) college, university, vocational school, or other postsecondary educational institution. Also, the institution must be eligible to participate in a student aid program administered by the U.S. Department of Education. (Virtually all accredited post-secondary institutions meet this definition.)
 - ✓ A monthly statement or verification from the student loan lender/servicer (personal loans from private individuals do not qualify) verifying the amount of the indebtedness must be in the loan file. The lender is the organization that made the loan initially; the lender could be the borrower's school; a bank, credit union, or other lending institution; or the U.S. Department of Education. The borrower must be current on the student loan at the time of the SmartBuy loan reservation and closing.
 - ✓ The full outstanding balance of the student debt (which shall not exceed 15% of the purchase price) must be paid off as part of closing. This will be done by the title agency who closes the loan and, immediately upon payment, a request should be sent to the student debt financial institution to provide the borrower and/or the title agency with a statement confirming that the student loan balance is zero. This confirmation of zero balance constitutes a post-closing requirement for CDA (related only to the second lien).
- All customary loan underwriting standards and requirements related to student debt apply and will be used to qualify the homebuyers. Eligible borrowers must qualify for a Maryland Mortgage loan, i.e. credit score, total debt-to-income (DTI) ratio, income and purchase price limitations, asset limitations, etc.
- In order to ensure consistency for all Maryland Mortgage loans, the proposed student debt program requires homebuyers to take a Homebuyer Education class as required by the local jurisdiction. The education class can be any class approved by HUD, Fannie Mae or Freddie Mac, including an online class (some jurisdictions have special requirements). (<http://mmp.maryland.gov/Pages/Homebuyer-Education.aspx>).
- For more information on general Maryland Mortgage program requirements, go online to <http://mmp.maryland.gov/Lenders/Pages/Fact-Sheets.aspx> or browse the website at www.mmp.maryland.gov.

FIRST TIME HOMEBUYER REQUIREMENTS

While Maryland Mortgage program loans generally are limited to first-time homebuyers, the requirement is waived if:

- Borrower is purchasing in a targeted area (see <http://mmp.maryland.gov/Pages/Targeted-Areas.aspx> for more information on targeted areas);
- It has been more than three years since the borrower has owned a principal residence; or
- Borrower is an honorably discharged veteran who has not previously used the first-time homebuyer exemption. This is in accordance with the Heroes Earnings Assistance and Relief Tax Act of 2008, as amended. A DD-214 form must be submitted to document veteran status, and an Attachment V - Veteran First Time Homebuyer Exemption form (located at <http://mmp.maryland.gov/Lenders/Pages/Loan-Documentation.aspx> under First Mortgage Pre-Closing/Documents That Are Sometimes Required) must be completed.

Regardless of the waiving of the first-time homebuyer requirement, no Maryland Mortgage Borrower can own **any other real property** at time of closing.



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SPECIAL FINANCING SITUATIONS

If a borrower pays off the first mortgage loan under this program using a Maryland Mortgage refinance loan (with the goal of reducing the interest rate), the existing second mortgage lien will be subordinated to the new first mortgage subject to the Department's review, and it will remain forgivable for the remainder of the original 5-year term.

UNDERWRITING REQUIREMENTS

This program requires **manual underwriting** only, which mandates the following:

Minimum credit score:

- 680 with no reserves and DTI less than or equal to 36%
- 700 with no reserves and DTI greater than 36% but less than or equal to 45%
- 680 with two months of reserves and DTI greater than 36% but less than or equal to 45%

All underwriting overlays of US Bank, FNMA and PMIs apply.

(You can find the latest version of the FNMA Eligibility Matrix on their Single Family Mortgage Products page:
<https://www.fanniemae.com/singlefamily/mortgage-products>)

The PMIs will underwrite all files before providing the mortgage insurance certificate.

All other rules relating to Maryland Mortgage program loans apply except where specifically noted in this document.

The post-closing documentation must include the final student debt statement showing that the student debt balance has been brought to zero.

Any overlays required by FNMA, PMIs and US Bank apply.

Disclaimer:

The terms and conditions are subject to change until a borrower qualifies for the loan and locks in the interest rate. A borrower should contact an approved lender for further information concerning a loan and applying for a loan (see "mmp.maryland.gov"). In connection with the Maryland Mortgage program, the Maryland Department of Housing & Community Development makes no promises, representations or warranties to any party, including any borrower, about the actual benefit a Maryland Mortgage loan might provide to a specific homeowner. Each borrower's situation is different, and borrowers should seek the advice of a financial advisor, attorney or housing counselor before entering into any loan transaction.



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