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November 7, 2016

## Directive 2016-14

TO: **MARYLAND MORTGAGE PROGRAM LENDERS**

SUBJECT: **OPENING OF THE MARYLAND SMARTBUY PROGRAM: AFFORDABLE HOMEOWNERSHIP FOR BUYERS WITH STUDENT DEBT**

We are pleased to announce that effective today the Community Development Administration will offer the "Maryland SmartBuy" program for eligible borrowers to receive favorable financing to purchase move-in ready properties owned by the Community Development Administration.

### **Highlights of the program are:**

- The Community Development Administration (CDA) will provide up to 15% of the home purchase price to pay off the borrower's 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 is allowed under this program.**
- First Mortgage is an amortizing mortgage for up to 95% of the sales price; the interest rate will be the same as the regular conventionally-insured mortgage interest rate offered under the Maryland Mortgage program;
- Second Mortgage for the full amount of the remaining student debt up to 15% of the sales price is a 0% interest, 5-year forgivable loan secured by a second lien on the property. The Note will be held by CDA,
- A Third Mortgage, if the borrower desires it, is a regular CDA Down Payment Assistance loan of \$5,000, 0% deferred (due upon sale, transfer, payoff, or refinance of the first mortgage), subordinated to the first and second mortgages.
- The approved Private Mortgage Insurance (PMI) partners for this program are: **Genworth, Radian, and Arch MI**. The PMIs will underwrite **all files** before providing the mortgage insurance certificate.
- CLTV max of 120%. (Value is based on the home purchase price which is calculated considering the market value and appraisal, per FNMA's guidelines.)
- This program requires manual underwriting only.
- The post-closing documentation must include the final student debt statement showing that the student debt balance has been brought to zero.



**NOTE: The program can only be offered by lenders specifically approved for this program. CDA lenders can be approved to offer this program only if they have taken the special SmartBuy training.** A list of the Maryland SmartBuy approved lenders may be found at <http://mmp.maryland.gov/Pages/SmartBuy/Lenders.aspx>. A Notification will be going out shortly to announce the SmartBuy webinar training planned for November 17<sup>th</sup>.

For complete program details, please refer to the Fact Sheet located on the website at <http://mmp.maryland.gov/Documents/SmartBuy/SmartBuyFactSheet.pdf>. Attachments CC, DD, EE and FF are updated on the website.

**The Bond Series and New Program Codes for the “SMART BUY” are:**

- **1st Mortgage:**  
Bond series: 960 MD SMARTBUY- CONV  
Program code: 411- MD SMARTBUY CONV
  
- **2nd Mortgage:**  
Bond series: 992 MD SMARTBUY- FORGIVE  
Program code: 924-MD SMARTBUY FORGIVABLE LOAN  
Sub-program code: 940-MD SMARTBUY FORGIVABLE LOAN
  
- **3rd Mortgage:**  
Bond series 995 MD SMARTBUY-3RD MTG  
Program code: 925-MD SMARTBUY 3RD LOAN  
Sub-program code: 947-MD SMARTBUY DSELP ONLY

As always, we appreciate your continued participation in our programs. If you have any questions concerning this Directive or suggestions for improvements, please contact me at [karl.metzgar@maryland.gov](mailto:karl.metzgar@maryland.gov).

Sincerely,

*Karl Metzgar*

Karl Metzgar  
Assistant Director/Operations Manager  
Single Family Housing