



Martin O'Malley
GOVERNOR

Anthony G. Brown
LT. GOVERNOR

Raymond A. Skinner
SECRETARY

Clarence J. Snuggs
DEPUTY SECRETARY

August 3, 2012

Directive 2012-21

TO: ALL PARTICIPATING LENDERS AND SUB-SERVICERS

SUBJECT: DOWNPAYMENT AND SETTLEMENT EXPENSE LOAN PROGRAM (DSELP)
SUBORDINATION POLICY AND INSTRUCTIONS

The purpose of this Directive is to inform you that the enclosed DSELP Subordination Policy and Instructions go into effect on Monday, August 6, 2012. This new policy allows the DSELP loan to be subordinated in cases where the existing MMP first mortgage is being refinanced through FHA/VA/RHS under a streamline refinance program that does not require a new appraisal. The DSELP Subordination Policy and Instructions follow as an enclosure. This Directive along with the enclosed DSELP Subordination Policy and Instructions will be uploaded to our website at: <http://www.mmprogram.com/SnglFamHsgDir.aspx> and also to Lender On-Line (under Program Documents/Single Family Housing Directives).

Please note: DSELP loans are **not** permitted to be subordinated on first mortgage loans originated under the MBS Program that are purchased and serviced by Bank of America or US Bank.

As always, we appreciate your continued participation in MMP. If you have any questions concerning this Directive or suggestions for improving our Program, please contact me directly at (410) 514-7508 or 1-800-638-7781 or by e-mail at manahan@mdhousing.org.

Sincerely,
William J. Manahan
William J. Manahan
Assistant Director, Homeownership Programs
Single Family Housing

Enclosure: DSELP Subordination Policy and Instructions

COMMUNITY DEVELOPMENT
ADMINISTRATION
DIVISION OF DEVELOPMENT FINANCE
100 Community Place
Crownsville, MD 21032

PHONE 410-514-7400

TOLL FREE 1-800-756-0119

TTY/RELAY 711 or 1-800-735-2258

WEB www.mdhousing.org



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DOWNPAYMENT AND SETTLEMENT EXPENSE LOAN PROGRAM (DSELP)

SUBORDINATION POLICY (For FHA/VA/RHS Streamline Refinances Only)

A Maryland Mortgage Program (MMP) borrower with a DSELP loan who wishes to refinance his/her MMP first mortgage loan, but cannot pay off the DSELP loan as required by the DSELP Deed of Trust Note signed at the time of the loan closing, will be allowed to have his/her DSELP loan subordinated under the following conditions:

1. Any unpaid balance of the DSELP loan must be amortized over the following period at the **interest rate for a Non-targeted regular MMP loan** in effect on the date the subordination request is received by the sub-servicer:

| | |
|----------------------|----------|
| ≤ \$5,000 | 10 years |
| \$5,001 to \$10,000 | 20 years |
| \$10,001 to \$15,000 | 30 years |

The DSELP loan may be paid off at any time without a prepayment penalty.

2. Only one subordination of the original DSELP loan will be permitted.
3. No appraisal is required
4. No “cash out” permitted
4. Limited to FHA/VA/RHS Streamline Refinances of the MMP first mortgage
5. Limited to MMP loans sub-serviced by Bogman, Inc. or M & T Bank

DSELP SUBORDINATION INSTRUCTIONS

1. To initiate a DSELP subordination request, the sub-servicer must be contacted. The contacts are:
 - Bogman, Inc.
 - Noreen Ryan – bryan@bogmaninc.com; 1-877-482-2289
 - Mary Prator – mprator@bogmaninc.com; 1-877-482-1051 ext. 1056
 - M & T Bank
 - Traci Stabler – tstabler@mtb.com; 716-848-3252
 - Emily Witt – ewitt@mtb.com; 716-848-3880
2. The sub-servicer explains the subordination instructions to the lender originating the FHA Streamline Refinance loan, provides the lender with the interest rate on the DSELP loan (sub-servicer will receive interest rate updates daily), collects information from the lender and

charges the lender a non-refundable processing fee. Once requested documentation is received, it is forwarded to the Department of Housing and Community Development (DHCD). There is a 15-20 day business day turnaround time from the time that the completed package is received. If approved by DHCD, an attorney will prepare the subordination/modification agreement. Once this document is completed, it will be forwarded to the sub-servicer who will forward it to the lender. The sub-servicer will then monitor to make sure the loan closes. A signed copy of the subordination/modification agreement must accompany the first mortgage payoff check and be sent to the sub-servicer.

3. **M & T Bank sub-serviced loans:** If the DSELP loan is currently being sub-serviced by M & T Bank, it must be transferred to Bogman, Inc. after the loan closes and the subordination/modification to the DSELP Deed of Trust Note is executed by the borrower(s). The requisite “transfer” letters must be sent to the borrower – the “good-bye” letter must be completed by M & T Bank and the “hello” letter must be completed by Bogman, Inc.