



**MARYLAND MORTGAGE**  
*Making Homeownership Affordable*

## FACT SHEET: MARYLAND SMARTBUY 2.0

This initiative enables qualified borrowers with student debt to purchase a program-eligible home in Maryland, and receive financing through the Maryland Mortgage Program (MMP) administered by the Community Development Administration (CDA).

<b>PURPOSE</b>	To help manage the overall housing expenses for a borrower who is purchasing an eligible 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 (maximum of \$40,000 for reservations prior to 9/1/2020; maximum of \$30,000 for reservations on or after 9/1/2020). The product will offer up to 15% of the home purchase price (with a maximum of \$40,000) for the borrower/s to pay off the outstanding student debt. <b>The full student debt for at least one borrower must be entirely paid off at the time of the home purchase; partial loan payment is not permitted under this program.</b>	
<b>TRANSACTION STRUCTURE</b>	Mortgage Product	<p>Up to 95% of the purchase price will be financed with the <b>first mortgage</b> (30-year conventional amortizing mortgage loan). The first mortgage will be pooled into a FNMA Mortgage Backed Securities (MBS) structure.</p> <p>The <b>second mortgage</b> is a 5-year forgivable loan of up to 15% of the purchase price, not to exceed a maximum amount of \$40,000 for loans reserved prior to 9/1/2020 and a maximum amount of \$30,000 for loans reserved on or after 9/1/2020. This loan will be used to pay off completely a borrower's outstanding student debt balance at the time of home purchase. If there are two borrowers on the loan, only one borrower's student loan balance must be paid off. If the full student debt for both borrowers can be paid off, that is permitted, but partial loan repayment will not be available under this program; <b>either a borrower's loans are fully paid off or not at all.</b></p> <p>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). The second mortgage will be secured by a second lien on the property.</p> <p>The second mortgage will be funded by the originating 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 Directive 2018-16.</p>
	Down Payment and Settlement Expense Assistance	If the borrower desires it, a <b>third mortgage</b> 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 Directive 2018-16. No Partner Match funds will be provided by CDA for this program (see Partner Match section below).
	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). The third lien of \$5,000 referenced above may be used for this.
	Mortgage Insurance	The approved Private Mortgage Insurance (PMI) partners for this program are: Radian Guaranty Inc. and Genworth Mortgage Insurance Corporation. The HFA Preferred Program offered by FNMA is applicable. 1008 must include the Special Feature Code 741.
	Total Program Limit	According to funding; if limits become imminent, a countdown of funds will be published.
	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 as well as MMP requirements, with student debt of at least \$1,000 (see ELIGIBLE BORROWERS section below for additional parameters)
	Master Servicer	US Bank



For more information, please visit:

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<b>PARTNER MATCH PROGRAM</b>	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 <b>only if the assistance comes in the form of grants</b> (which are not included in the calculation of the Combined Loan to Value ratio and will not be matched by CDA funds).
<b>MARYLAND HOME CREDIT PROGRAM</b>	N/A
<b>ELIGIBLE PROPERTIES</b>	Any property in the state of Maryland eligible under the Maryland Mortgage Program. Please refer to the Maryland Mortgage Premier fact sheet. DHCD REOs cannot be financed under this program.

### 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 or the maximum second loan amount (\$40,000 for loans reserved prior to 9/1/2020 and \$30,000 for loans reserved on or after 9/1/2020) whichever is lower. 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 be part of 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. (Most 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 of the borrower (which shall not exceed 15% of the purchase price or the maximum second loan amount, whichever is lower) must be paid off as part of closing. This will be done by the title agency that 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. See the Underwriting Requirements section for more information.
- In order to ensure consistency for all Maryland Mortgage loans, the proposed student debt program requires homebuyers to take a Homebuyer Education class. The education class can be any class approved by HUD, Fannie Mae or Freddie Mac, including an online class that meets insurer guidelines. (<http://mmp.maryland.gov/Pages/Homebuyer-Education.aspx>).
- For more information on general Maryland Mortgage program requirements, go online to <https://mmp.maryland.gov/Lenders/Documents/FactSheets/MMP-FactSheet-standard-loan-30yrPurchase.pdf>, or browse the website at [www.mmp.maryland.gov](http://www.mmp.maryland.gov).



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<b>FIRST TIME HOMEBUYER REQUIREMENTS</b>	<p>While Maryland Mortgage program loans generally are limited to first-time homebuyers, the requirement is waived if:</p> <ul style="list-style-type: none"><li>• Borrower is purchasing in a targeted area (see <a href="http://mmp.maryland.gov/Pages/Targeted-Areas.aspx">http://mmp.maryland.gov/Pages/Targeted-Areas.aspx</a> for more information on targeted areas);</li><li>• It has been more than three years since the borrower has owned a principal residence; or</li><li>• 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 <a href="http://mmp.maryland.gov/Lenders/Pages/Loan-Documentation.aspx">http://mmp.maryland.gov/Lenders/Pages/Loan-Documentation.aspx</a> under First Mortgage Pre-Closing/Documents That Are Sometimes Required) must be completed.</li></ul> <p>Regardless of the waiving of the first-time homebuyer requirement, no Maryland Mortgage Borrower can own <b>any other real property</b> at time of closing.</p>
<b>SPECIAL REFINANCING SITUATIONS</b>	<p>If at a future date 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 may be subordinated to the new first mortgage subject to CDA review, and it will remain forgivable at the same rate for the remainder of the original 5-year term. (NOTE: The refinance mortgage will have its own overlays—LTV, DTI, credit score, etc.—that may not align with SmartBuy original terms.</p>
<b>UNDERWRITING REQUIREMENTS</b>	<p>This program requires <b>manual underwriting</b> only.</p> <p>All underwriting overlays of US Bank, FNMA and PMIs apply.</p> <p>At the date of this fact sheet, USB and FNMA's requirements are: <b>min 720 FICO (for LTV &gt;75%) and max 45% DTI.</b></p> <p>USB, the PMIs and FNMA may change their guidelines for manual underwriting from time to time. You can find the latest version of the FNMA Eligibility Matrix on their Single Family Mortgage Products page: <a href="https://www.fanniemae.com/singlefamily/mortgage-products">https://www.fanniemae.com/singlefamily/mortgage-products</a> and USB's guidelines at <a href="http://www.usbank.com/correspondent">www.usbank.com/correspondent</a>.</p> <p>The PMIs will underwrite all files before providing the mortgage insurance certificate.</p>

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 for at least one borrower has been brought to zero.

Any overlays required by FNMA, PMIs and US Bank apply, as well as any funding source that provides additional assistance (which must be in the form of grants, no additional liens may be added).



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**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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