COMPLIANCE MANUAL FOR

THE MARYLAND MORTGAGE PROGRAM,

THE DOWNPAYMENT AND CLOSING COST ASSISTANCE PROGRAM, AND

THE MARYLAND HOMECREDIT PROGRAM

MARYLAND MORTGAGE

Making Homeownership Affordable

Updated January 28, 2026

(The information in this document is current at the time of publication. Please check with all the third parties involved in your transaction for any updates at the time you are reserving an MMP loan to ensure the loan fully complies with all the applicable requirements.)

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PURPOSE

The main objective of the Maryland Mortgage Program (the Program) is to provide homeownership opportunities to eligible homebuyers in the State of Maryland. This objective is accomplished through the issuance of Single-Family Program bonds and notes and/or by purchasing securities backed by mortgage loans that originated through a network of approved lenders. The Program provides financing for single family residences located within the State, occupied principally by first-time homebuyers who meet income limits established by the Community Development Administration and satisfy certain other criteria. The houses acquired through the Program must be occupied as the homebuyers' principal residence.

This program is offered pursuant to Title 2, Subtitle 4 of the Housing and Community Development Article of the Maryland Annotated Code ("the Act"). It is further governed by Program regulations contained in COMAR 05.03.02, as amended. All loans will be made in conformance with the Act, Program regulations, applicable federal tax law, and Community Development Administration (CDA) bond documents.

This manual is also an Exhibit of the Mortgage Origination Agreement executed by CDA and each lender partner. In that document, the lender agrees to comply with the requirements set forth in this manual. CDA must rely upon all participating lenders to comply with the requirements when making mortgage loans to be purchased by U.S. Bank Home Mortgage, the Master Servicer.

Mortgage loans that do not comply with these requirements may not be purchased by the Master Servicer. Originating lenders will be responsible for loans that don't meet the requirements of CDA, insurers, Master Servicer, and/or investors, IRS etc.

MARYLAND MORTGAGE PROGRAM WEBSITE

The Maryland Mortgage website offers information and resources for potential borrowers and real estate professionals. Homebuyers can be referred to a top producing loan officer, find homebuyer education providers and find information about available products. Lenders and realtors can access additional information through the Professional Portal.

Maryland Mortgage Program Home Page

PROFESSIONAL PORTAL

The Professional Portal section provides the documents, links and data that lenders need to work with homebuyers to apply for a Maryland Mortgage program loan, as well as training materials, compliance manuals and fact sheets to help lenders understand the details of the program. Some documents can only be accessed through Lender Online after loan approval.

MMP Lenders Pages

MASTER SERVICER – U.S. BANK

The Master Servicer for the Maryland Mortgage program is U.S. Bank Home Mortgage ("U.S. Bank"). U.S. Bank is responsible for ensuring that the loan application adheres to industry-acceptable underwriting standards and for funding the loans. U.S. Bank's website provides manuals, checklists, bulletins, documentation, and other information if you scroll down to the "HFA guidelines" link on their home page.

US Bank Correspondent and HFA Home Page

APPROVAL OF PARTICIPATING LENDERS

All lenders must be approved by U.S. Bank. Interested lenders should contact U.S. Bank's Lender Help Desk by phone at 800-562-5165, option 4.

In addition to U.S. Bank approval, the lender must be approved by CDA. This includes providing CDA with a contact list, Maryland origination branch list, Opinion of Counsel, Resolutions, and executed Mortgage Origination Agreement (the Agreement), which forms the contractual relationship governing participation in the Program by the lender and CDA. All lenders participating in these programs MUST maintain an origination branch within the State of Maryland to maintain their accreditation.

After a lender has provided the necessary documentation, it is required to have its staff participate in Maryland Mortgage Program training before it is approved to reserve loans under the program. Requirements, forms, and templates for becoming an approved Program lender are located on MMP website in Lender Resources here:

Becoming an Approved Lender

By signing the Mortgage Origination Agreement, the Lender agrees to process loans in compliance with the Lenders Manual and fact sheets, U.S. Bank's Closing & Delivery Guidelines, and to use the Program documents as specified.

Upon approval, the lender's designated "Administrative Contact" will be issued a username and password that will permit access to the Lender Online system. The Administrative Contact is responsible for setting up user accounts and managing passwords for the lender's staff. They are the primary contact for all program issues and must authorize any changes.

Lenders with questions concerning this process can e-mail:

singlefamilyhousing.dhcd@maryland.gov or cecilia.weller@maryland.gov

LENDER MINIMUM ACTIVITY

Under the Lender Minimum Activity Policy, lender activity will be assessed on a quarterly basis. Lenders who do not meet the Lender Minimum Activity Level with an average of three loans purchased by the master servicer per quarter will be notified and offered training to help bring production up to the required level. A lender who does not meet the Lender Minimum Activity Level for two consecutive quarters may be removed from the approved participating lender status and deactivated in the Lender Online system. New lenders will have a six-month grace period before the first quarterly assessment takes place.

If a lender would like CDA to reconsider a decision, they can send a letter stating their grounds for reconsideration to Single Family at singlefamilyhousing.dhcd@maryland.gov, and the request will be reviewed and decided on a case-by-case basis. Only one request for reconsideration will be granted; after that it will be 12 months before a lender can request to be re-approved and re-activated in the program, and additional documentation and training will be required at that time.

INTEREST RATES

Interest rates are set when the funds are reserved in the Lender Online system. **The interest rate cannot be changed after it is locked in at registration.**

LENDERS ARE RESPONSIBLE FOR OBTAINING A RESERVATION NUMBER AND THE ASSIGNED INTEREST RATE BEFORE COMMITTING TO THE BORROWER.

Interest rates are subject to change daily or more frequently. Current interest rates may be obtained here: MMP Interest Rates

Please use the SUBSCRIBE button in the middle of the page to sign up to receive the Program's interest rate notifications.

RESOURCES – WEBSITES

Lender Online (LOL)	MMP Lender Online (LOL)
Maryland Mortgage Program (MMP)	Maryland Mortgage Program (Home Page)
MMP Professional Portal – Lenders Pages	MMP Lenders Pages
Interest Rates	MMP Interest Rates
Program Fact Sheets	MMP Program Fact Sheets
Loan Documents	MMP Lender Resources - Loan Documentation
Directives	MMP Directives & Notifications
The Mapper	MMP Mapper
Income and Purchase Price Limits	Income and Purchase Price Limits
MMP Loan Calculator	Maryland Mortgage Program (MMP) Loan Calculator
MMP Program Information Links	Program Information
MCC- Reissue	MCC-REISSUE
Payoff Request Information for existing MMP loans	Payoff Request Information - Existing MMP Loans
Homebuyer Education Information	Homebuyer Education
Eligible Mortgage Insurers	Eligible Mortgage Insurers
US Bank	US Bank Correspondent and HFA Home Page

COMMON ACRONYMS

ATT, ATTCH or ATCH - Attachment. Double letters (CC, DD, etc.) are checklists. Found on Documents page on website: [MMP Lender Resources - Loan Documentation]

ATT-R or ATTCH R - for any changes to loan reservation. Found on Documents page. Gets submitted to email on top of form.

AUS - Automated Underwriting System, i.e. DU, LP, LPA.

CDA - Community Development Administration. The HFA (housing finance agency) entity of DHCD (the Maryland Department of Housing and Community Development).

DPA - Down Payment Assistance. May be referring to loans or grants.

DSELP - Downpayment and Settlement Expense Loan Program. MMP-specific reference to a DPA loan. If you are directed to upload to DSELP, it is referring to the second mortgage section.

EDOCS - submission section in Lender Online. Must UPLOAD and SUBMIT--two steps.

HBE - Homebuyer Education. Certificate required for each homebuyer on the loan.

HFA - Housing Finance Agency. Use the HFA selection in DU or LP.

HK4E, SK4E, CPIP, BDIP - Partner Match Programs. Verification forms are found on the Documents page.

LOL - Lender Online. The online tracking software.

MCC - mortgage credit certificate from the Maryland HomeCredit Program. No longer offering new MCCs, but existing certificates can be re-issued. There is a fee of $450 to CDA. This would be an MCC-ONLY transaction, and requires all the stages of an MMP transaction: pre-closing compliance, closing, post-closing compliance, etc.

MMP – Maryland Mortgage Program

PFA - Priority Funding Area. Printout from The Mapper is required to document PFA status for new construction or any loan using Smart Keys 4 Employees. Link to the Mapper is in the Professional Portal under the Program Information page.

USB - US Bank, the master servicer

SECTION 1 - LOAN APPLICATION AND RESERVATION PROCEDURES

1.1 APPLICATION REQUIREMENTS

A. Preliminary Interview

1. The lender must interview the borrower(s) to determine eligibility for the program. The lender must also pre-qualify to Agency (FNMA, FHLMC, FHA, VA, or RHS/USDA), Investor/Master Servicer (US Bank) and the Private Mortgage Insurance Companies guidelines as applicable.

2. Lender or borrower(s) can utilize the MMP Loan Calculator tool to identify potentially eligible MMP loan products based on basic criteria.

   PLEASE NOTE: The monthly loan payment is only an estimate and does not include insurance, taxes, and other amounts that vary per property. Varying lender costs can also change the financing amount. This tool is best used for identifying applicable products and not for hard estimates of monthly payments.

B. Application Documents

Prior to requesting a reservation of funds through Lender Online (LOL) the lender must complete an application and have the required documentation. In addition to presenting information concerning income, assets, debts, etc., at the time of application, borrower(s) must:

1. Present an eligible, Ratified Contract of Sale; ***if the property is involved in a short sale transaction, current lender/servicer approval of the transaction is required to meet the fully ratified sales contract requirement*** (see Section 2.11 below "Ineligible Use of Loan Proceeds" for further information on contracts of sale).

2. Complete initial Buyer's Affidavit.

3. Complete a Uniform Residential Loan Application (Fannie Mae Form 1003/ Freddie Mac Form 65).

4. Provide documentation meeting ownership status as identified in Section 2.3 below, "First-Time Homebuyer and Present Ownership Interest". **Reminder: Borrower(s) and their spouses may not own any other real property at time of closing.**

C. Limitation on Points, Fees, and Charges

1. The lender may not charge any fees at time of application other than the amounts needed for a credit report, until the borrower(s) have received the disclosures as required by the Truth in Lending Act.

2. Lenders who charge an Origination Fee are required to provide a detailed summary of the Origination Fee. Lenders are strongly encouraged to reflect this on the Closing Disclosure (Preferred Method) or by including a separate sheet with the components of

the Origination Fee calculation. The Origination Fee may only contain charges that are deemed customary and common, and no portion of the fee may be used to buy down the interest rate. Additional information on Fees can be found in 6.7 and 6.14 in Section 6 of this manual.

3. The Lender may **NOT** charge points, unless the transaction is MCC-ONLY. (See Section 9.3 MORTGAGE CREDIT CERTIFICATE)

1.2 LOAN RESERVATION

Lenders must submit reservations for Program funds through LOL. A fully ratified sales contract is required prior to submitting the reservation request. If the property is involved in a short sale transaction, lender/servicer approval of the transaction is required to meet the fully ratified sales contract requirement. Instructions for reserving funds are provided in the training materials on the LOL & E-Docs Training Guide

Your complete and eligible request will be processed by LOL and assigned a reservation number. MMP loan amounts should be the full amount, including any financed MIP, VA Funding Fee, Guarantee Fee, or MI. Further DPA loan calculations are based on full loan amounts. All loan amounts are always rounded down to the nearest dollar ($). Do not round up.

A sample reservation number would be: 123-456-007890. The first three digits designate the Bond Series and indicate that funds have been reserved under that series. The next three digits of the reservation number are the Lender Number and then the next six digits of the reservation number are the sequential loan number.

Reserving the loan automatically locks in the interest rate. The rate cannot be changed afterwards.

1.3 DEADLINES

When Pre-Closing Compliance Submissions are received, they are reviewed on a first-received, first-reviewed basis. Any conditions/exceptions will be listed in LOL. When new supporting documentation is provided, it will be reviewed on a first-received, first-reviewed basis and any additional conditions listed. Turnaround time is generally within 1-3 business days.

To ensure sufficient time for compliance approval and maximum compensation to the Lender, the Pre-Closing Compliance Submission should be submitted to MMP within 30 days of the reservation date for all loans. There is a reservation to purchase timeline of 105 days. Loans which have not been purchased by US Bank by day 105 will continue to be canceled.

1.4 RESERVATION PIPELINE REPORT

The Lender can access information on LOL about its loan pipeline under the reports tab. It is each Lender's responsibility to reconcile its loan pipeline and cancel its inactive loans using the Attachment R.

1.5 RESERVATION RESTRICTIONS

A. Changes

1. Once a loan has been reserved, changes are not allowed except in unusual circumstances approved by CDA, in its sole discretion. Examples of these changes include, but are not limited to:

   a. Substitution or deletion of a household member from the Buyer's Affidavit, when inclusion of that household member's income would have resulted in the household income exceeding the Program's income limit for that jurisdiction.

   b. Substitution of another property, except as a result of an unsatisfactory home inspection or failure of the seller to proceed with the sale. (As noted in C. 2. below)

   c. Product changes that must occur will result in reservations at the **higher interest rate** of either current rate pricing or original rate pricing as of the initial reservation date. Commitment date will remain as per original reservation.

   d. Changes in the interest rate. Once a loan is reserved, the rate is locked. NO EXCEPTIONS

   Lenders should be careful when pre-qualifying a Borrower to provide accurate income and loan amount information on LOL. Any requests for a change in interest rate or loan amount are subject to the availability of funds.

2. To request a change to a reserved loan, complete the Request for Change to Reservation of Funds form (Attachment R) and submit it with all necessary documentation to CDA via the Attachment R mailbox. The request will be reviewed, and a response returned to the Lender by e-mail.

B. Duplicate Reservations

   A. Different Interest Rates: LOL will accept the first reservation received for the Borrower(s). Subsequent attempts to input another reservation for the same Borrower(s) will not be accepted.

   B. Different Lenders: If a Borrower has applied at two different Lenders, LOL will only accept the first reserved loan. It will be left up to the Lenders to determine who should proceed with the application (see D. Assignments below).

C. Cancellation of Funds

1. If a Borrower wishes to withdraw their application from the Program after funds have been reserved, **they should be informed that they would be prohibited from obtaining another reservation of funds for 3 months after the date they cancel the reserved funds.** The Lender requests the cancellation of a reservation by completing a Request for Change to Reservation of Funds form (Attachment R) within five business days after the Borrower's withdrawal from the Program.

2. Property inspection problems or refusal by the Seller to make necessary repairs or complete the sale, etc. should be handled as a substitution of property. Upon receipt of a Request for Change to Reservation of Funds form (Attachment R) with "Substitute New Property" selected, along with a release from the original contract of sale and the reason for the release, the lender either requests that the original reservation be:
    a. deleted and the lender then reserves a loan on the new property (compensation to lender based on the new reservation date); or
    b. retained and the lender provides corrected information on the new property (address, purchase price, loan amount, etc.) under "Other" (compensation to lender based on the original reservation date).
3. If a Borrower's loan request is declined due to eligibility issues, the reservation should not be canceled until all reconsideration processes have been completed. Within five business days after the final denial, the Lender must request the cancellation of the reservation using the Request for Change to Reservation of Funds form (Attachment R).

D. Repeat MMP Customers

1. Borrowers are eligible for a new MMP reservation when they meet the program eligibility requirements.
2. The previous MMP 1st Lien and DPA Lien must be paid in full and verified by CDA Finance prior to making a new reservation.
3. Requests must be submitted via the Single-Family Mailbox with documentation of the release of both existing liens.

E. Assignments

Lenders may assign open (not canceled) reservations to other participating lenders. The new lender would complete a Request for Change to Reservation of Funds form (Attachment R) and submit it to CDA with a copy of the assignment letter from the first lender. The original reservation for the loan will be deleted by CDA and the new lender will then be instructed to reserve the loan as a new loan at the current interest rate.

F. Additional Restrictions

1. Extensions are not offered.
2. Re-locks are not an option.
3. Buydowns are not allowed.

SECTION 2 - COMPLIANCE REQUIREMENTS

MMP Compliance guidelines follow. If not specifically addressed in the guidelines, requirements, and overlays of FNMA, FHLMC, FHA, VA, RHS/USDA, Master Servicer (US BANK) and the mortgage insurance companies are applicable. Lenders are strongly encouraged to reach out to the entities above should any questions arise.

2.1 GENERAL BORROWER ELIGIBILITY

A. Applications will be accepted with no discrimination as to race, color, religion, creed, national origin, sex, marital status, physical or mental disability or sexual orientation. Citizenship of the United States is not required; however, borrower must have a social security number and be eligible to work in the United States.

B. Each single borrower and at least one person of a married couple must be eighteen years of age or older.

C. If married, spouses are not required to apply, but documentation will be required of a non-borrowing spouse.

NOTE: The lender may not require the signature of a Borrower's spouse or other person (other than a co-borrower) on any credit instrument if the borrower qualifies under the lender's standards of creditworthiness for the amount and terms of the mortgage.

D. If a non-borrowing occupant(s) takes title to the property and appears on the Deed and Deed of Trust, the following must occur:

   1. The borrower(s) and non-borrowing occupant(s) must execute the Buyer's Affidavit and Buyer's Confirming Affidavit.

   2. If the property is located within a non-targeted area, borrower(s) and non-borrowing occupant(s) must meet the "first-time homebuyer" definition or qualify for an exception (see Section 2.3 below).

   3. The Tax-Exempt Financing Rider must be executed by the borrower and non-borrowing occupant at closing; and

   4. The title policy must show the title vested in both occupants without exception for the rights of the non-borrowing occupant.

E. If separated, a Separation Affidavit (Attachment A) must be completed by the borrower.

F. Borrower(s) must be named on all the closing documents.

G. Co-signers are not permitted.

H. Borrower(s) must intend to occupy the property as their principal residence within 60 days of the closing of the mortgage loan.

2.2 TAKING TITLE

A. Single Person – ***SOLE OWNER*** (can be listed just as the Borrower's name – does not have to reflect sole owner.

B. Husband and Wife – ***TENANTS BY THE ENTIRETY*** and can be stated in the following ways:

- John Doe, sole owner (if taking title alone)
- John Doe and Mary Doe, his wife.
- John Doe and Mary Doe, husband, and wife.
- John Doe and Mary Doe, tenants by the entirety.
- John Doe and Mary Doe, married.

C. Two or more Unmarried Borrowers – ***JOINT TENANCY*** with Right of Survivorship.

D. TENANTS IN COMMON **are NOT ALLOWED**.

E. Borrowers must meet the applicable underwriting standards of insurer/guarantor.

2.3 FIRST-TIME HOMEBUYER AND PRESENT OWNERSHIP INTEREST

Federal law defines a "first-time homebuyer" as someone who has not had a "present ownership interest" in a principal residence anywhere in the world at any time during the three years immediately preceding the date of the mortgage application.

A. The requirement is waived if:

1. One of the borrowers is a veteran or active-duty military and provides the lender with a copy of their DD-214 or if currently serving provides the lender with a current Statement of Service Letter. When this applies for one of the borrowers, then both spouses shall be treated as satisfying the requirement for this exception. ***(This exemption may only be used once)***, **or**

2. The location of subject property is in a Target Area.

B. MMP requires that the borrower(s) and non-applicant spouse sell or transfer their interest in any real property they own prior to approval on the Program loan, regardless of whether the property is their principal residence. If an existing real property is deeded in the name of the spouse/non-borrower, **it must still be sold or transferred prior to Program approval**. MMP must meet its obligation under federal tax law which requires the new home to be the principal residence of the Borrower. If the husband and wife own separate homes, it cannot be assumed that the new home will be the Borrower's principal residence.

C. Individuals who are separated or divorced and had an interest in real property during the last three years may be eligible for the Program if they can document that they did not live in the property during the last three years. In addition, they must no longer have title to the property or divest themselves of title to the property before the closing of the Program loan.

D. Ownership of a co-op unit occupied as a Borrower's principal residence will disqualify the Borrower.

E. Exclusions

1. A "present ownership interest" in a principal residence excludes:

    a. An ordinary lease, with or without a purchase option.

    b. The interest of a buyer under a standard residential purchase contract.

    c. An expectancy to inherit property.

    d. A remainder or reverted interest.

2. A mobile home occupied as a Borrower's principal residence may not disqualify the borrower unless the mobile home is/was permanently attached to real property owned by the Borrower.

2.4 PROHIBITED OWNERSHIP INTERESTS IN CERTAIN PROPERTY

A. State regulation requires that, at the time of closing on the Program loan, Borrower(s) and their spouse may not have any ownership interests in certain types of property, anywhere in the world.

B. Property prohibited from ownership at the time of loan closing includes:

1. Any mobile home on a permanent foundation.
2. Raw land.
3. A building lot (except for the lot on which the house being financed has been built).
4. Any principal residence.
5. A vacation home.
6. A rental property.
7. An inherited property.
8. Commercial property.
9. Any jointly held property (including held in LLC, Partnership, S-Corp, and Corporation).
10. A cooperative.

11. Any other real property.

C. Property which may be owned at the time of loan closing includes:

1. A cemetery plot.

2. A recreational vehicle lot.

3. A 1/20th (2.6 weeks) or less interest in a time-sharing unit.

D. In order to be eligible for a mortgage loan under the Program, any Borrower who has an ownership interest in any type of property listed in paragraph A must either:

1. Provide a contract of sale for the property at the time of application and submit documentation, i.e., settlement sheet, title for mobile home, verifying the sale of the property prior to closing of the Program loan; or

2. Provide a copy of a recorded deed showing that the Borrower has divested ownership of the property.

2.5 TARGETED AREAS, PRIORITY FUNDING AREAS, SUSTAINABLE COMMUNITIES

A. **Targeted Areas** are established by the U.S. Census Bureau and are geographic zones inside of which there are fewer restrictions for homebuyers using the Program. Maryland's Counties fall into three categories when it comes to Targeted Areas.

1. Fully Targeted – All properties in these counties are in a Targeted Area.

2. Partially Targeted – Some properties are in a Targeted Area

3. Non-Targeted Counties – No properties are in a Targeted Area.

B. **Priority Funding Areas** are existing communities or locally designated growth areas where State and local governments already have a significant financial investment in the existing infrastructure and want to concentrate their efforts to conserve natural resources and farmland while encouraging and supporting sensible economic and residential growth. These include:

1. Every Maryland municipality, as they existed in 1997.

2. Areas in Maryland that are inside the Washington Beltway and the Baltimore Beltway.

3. Areas that have been designated as enterprise zones, neighborhood revitalization areas, heritage areas and existing industrial land.

C. **Sustainable Communities** are regions across the state where governments, business and communities coordinate investments to achieve sustainable growth, good jobs and thriving neighborhoods. Additionally, many Sustainable Communities are historically or culturally significant, with a local or national historic district designation.

In Sustainable Communities, local governments work with the State to build on assets and create opportunities where public and private investments and partnerships can achieve:

1. A healthy local economy.
2. Protection and appreciation of historical and cultural resources.
3. A mix of land uses.
4. Affordable and sustainable housing, and employment options.

D. Determine Location of Subject Property

To determine if a property is located within one of the geographic areas noted above, utilize the Program Mapper tool MMP Mapper

Print the screen confirming the Priority Funding Area or Targeted Area status shows "YES" and include it in the Pre-Closing Compliance submission. For more information about using The Mapper, there is information on our website here: Maryland Mortgage Program Mapper Guide

Also a training Video on using MMP Mapper can be found here: MMP Mapper Training Video

2.6 PURCHASING IN A "NON-TARGETED AREA"

A. If the property is located in a non-targeted area, one of the following five options must be submitted to document being a first-time homebuyer for all borrowers:

1. Occupancy and Ownership Data Verification Report (ex: Drive, FraudGuard); **or**
2. Federal signed income tax returns for the preceding three years substantiating borrower's status as a "first-time homebuyer"; **or**
3. Federal signed income tax transcripts for the preceding three years substantiating borrower's status as a "first-time homebuyer"; **or**
4. A tri-merge credit report that reflects a three-year rental history **or**
5. Verification of Rent (VOR) from a management company, leasing office and/or private landlord that reflects a three-year rental history (Note: Family member is not acceptable).

B. If submitting tax returns, the borrower must submit signed tax returns with all schedules for the two years prior to last year plus an executed Affidavit in Lieu of Current Year's Tax Returns (Attachment J) for the current year's tax return which has not yet been filed. If the current year's tax return has been filed, it should be submitted. For example, if the borrower applies on January 30th and last year's tax return was not filed, he will provide tax returns for the two years prior to last year, as well as an executed Affidavit in Lieu of Current Year's

Tax Returns (Attachment J) for last year.

C. After the current year's filing deadline, the borrower must submit signed tax returns for last year plus the two years prior to last year. For example, if during the current year, the Borrower applies after the IRS filing deadline, he would provide tax returns for last year plus the two years prior to last year.

D. After the current year's filing deadline, if the borrower filed an extension, then the borrower must provide a copy of the extension filed along with acceptance from the IRS, plus the two years prior to last year's tax returns. Also, as an executed Affidavit in Lieu of Current Year's Tax Returns (Attachment J) for last year is required in this scenario.

E. All tax returns must be signed by the borrower, including electronic returns and computerized summaries from the IRS. In addition, the top portion of the return (name, address, and social security number) must be completed.

F. Most types of returns filed with the IRS, including electronic returns, are acceptable; however, the return must:

   1. Be the type of return (e.g. the 1040EZ or 1040A) which does not allow for the deduction of mortgage interest or real estate taxes, OR

   2. Be a return which includes information which would enable MMP to determine that the borrower claimed the standard deduction (e.g. 1040 showing a standard deduction). If the information on the return indicates that the borrower did not claim a standard deduction, then a full copy of the return with all schedules must be provided.

   3. If the tax returns have been reconstructed, a notarized affidavit from the borrower must be provided stating that the returns are a true and correct reconstruction.

NOTE: Electronic Filing Summary, IRS Form 8453 is not acceptable because it does not provide the necessary information.

G. IRS Form 4506-C, Request for Transcript of Tax Return can be used by the lender to request a transcript of the Borrower's tax return(s). Make sure that all schedules are included and the borrower signs and dates the transcripts.

H. If the borrower(s) was not required to file a tax return based on the IRS requirements, they must provide an executed Affidavit Regarding Not Being Required to File Tax Return(s) (Attachment S) stating that they were not required to file and the reason why they were not required to file. Documentation to support the reason for not filing along with tax transcript confirming not filed may be required.

I. **Only when exemption to the "first-time homebuyer" for a veteran requirement** is being requested the following is required:

   1. Attachment V – Veteran's First Time Homebuyer Exemption Certification fully completed, dated and signed; and

2. A copy of the DD-214 if borrower is a veteran or a Statement of Service Letter if currently serving and using the exemption for the first time.

Note: The DD-214 or Statement of Service is only required if an exemption to the first-time homebuyer requirement is being requested. They are not required just because the loan type is a VA, or the borrower is a veteran.

J. If a non-borrowing occupant is taking title to property in a non-targeted area, federal income tax returns for the preceding three years must also be provided unless a tri-merge credit report or Verification of Rent or are provided, and they reflect a 3-year rental history or Occupancy and Ownership Data Verification Tool Report (ex: Drive, FraudGuard).

2.7 UNDERWRITING

MMP DOES NOT CREDIT UNDERWRITE AND QUALIFY THE LOAN. IT IS THE LENDER'S RESPONSIBILITY TO ENSURE THE LOANS RESERVED WITH MMP SUBMITTED TO U.S. BANK FOR PURCHASE MEET U.S. BANK'S GUIDELINES. MMP HAS ONLY THE RESPONSIBILITY OF ITS OWN GUIDELINES/REQUIREMENTS AND IT CANNOT BE HELD RESPONSIBLE IF AN MMP LOAN IS NOT MEETING ANY OF THE THIRD PARTY'S REQUIREMENTS THAT MAY AFFECT THE LOAN.

A. MMP Credit Report and Credit Score Requirements

1. MMP requires at least one borrower to have a credit score.

2. Minimum credit score requirements per the corresponding product and program fact sheet must be met for all borrowers who have a credit score.

3. A full complete credit report must be provided for all borrowers.

4. Manual underwritten loans must follow and meet agency and US Bank additional requirements.

B. DPA Secondary Financing Information

1. MMP EIN number is 52-6002033.

2. DPA loans are entered as secondary financing in FHA Connection.

3. DPA loans are entered as secondary financing on loan documents.
    a. FHA Underwriting Transmittal 92900LT – with Source and EIN completed and Gov't box checked.
    b. Conventional Underwriting Transmittal 1008 – with information listed in subordinated financing.
    c. URLA Form 1003 – Section 4b completed to reflect and amount reflected in L4-J.

C. Power of Attorney (POA)

1. All Powers of Attorney used to sign any documents required for MMP pre-closing or post-closing packages require approval from the underwriter prior to closing.

2. It is the lender's responsibility to include the required documents listed below when submitting the initial pre-closing package for review.

3. This is required of both buyer and seller signed documents.

4. Required documents for approval:
   a. Letter from the title attorney stating that attached POA for buyer/seller was reviewed and found to be acceptable for the transaction, and
   b. Complete copy of the fully executed POA referenced.
   c. Electronically signed POAs are not acceptable.

D. Appraisals

1. All appraisals must be completed in the name of the lender.

2. Appraisals are required for all transactions, regardless of AUS findings.

3. Transfers are only allowed on FHA and VA transactions with proper documentation.
   a. FHA loans require FHA Connection CHUMS printout validating appraisal transfer to lender.
   b. VA loans require VA portal printout validating appraisal transfer to lender.

2.8 ELIGIBILITY INCOME

A. Total Projected ANNUAL Household Income may not exceed applicable Income Limit.

1. Total projected ANNUAL gross income from all household members occupying the property being purchased, except for dependents less than 18 years old, may not exceed the applicable income limit for the Program. Income Limits may be found at:

   Income and Purchase Price Limits

2. Income for household members who are 18 years old or older and enrolled full-time in high school or college should not be included in the total projected annual household income unless that individual is a borrower on the loan. To document student status provide a copy of a recent transcript.

B. Household Members

1. All Borrowers on loan application and any non-applicant going on title.

2. "Other household members" includes any person who is not a borrower on the loan:
   a. A spouse or partner not listed as a borrower or going on title.

b. A child or children of the borrower(s) living with the borrower(s). (Also see below scenarios)

c. Parents, grandchildren, and unrelated children are included if currently living with the borrower(s) and will continue to after closing.

d. An unborn child can be treated as an "individual" (household member) when the birth of the child will change the household size and result in an increase in the applicable Income Limit. A Certification of Pregnancy (Attachment T) must be completed and executed by the pregnant Borrower's physician.

3. Children (under 18) not living with borrower full time per legal court document:

   a. If listed as dependent on tax returns provided, then can be listed as a household member.

   b. If full custody per legal court document, then can be listed as a household member.

   c. If joint custody per legal court document, then can be listed as a household member.

   d. If no custody but partial visitation to the borrower's household, and the borrower pays child support per legal court document, then can be listed as a household member.

4. If NO custody and NO child support, then CANNOT be listed as a household member.

C. Projecting Eligibility Income at Time of Reservation

1. As of the date of reservation in Lender Online, the lender is to project the eligibility income for the year following the date of the loan closing for all household members, using the Income Eligibility Worksheet and Lender Certification (Attachment D) and information on income calculation in this Manual, as well as standard industry underwriting standards established by FNMA, Freddie Mac, FHA, VA, or RHS/USDA.

2. This information should then be provided to the Borrower to complete the Buyer's Affidavit.

D. Verification of Income

1. The lender will verify all sources of income (including part-time jobs, overtime, bonuses and commissions etc.) for each household member who is 18 years old or older (except the income of full-time high school or undergraduate students unless that individual is a borrower on the loan) and then project the anticipated household income for a period of 12 months from the date of the loan closing. The lender's Underwriter will then prepare a final Income Eligibility Worksheet and Lender Certification - (Attachment D) with the verified information and submit it in the Pre-Closing Compliance Submission.

2. If a household member 18 years or older has no income, they must complete the Zero Income Statement.

3. Provide documentation to substantiate receipt of child support and/or alimony income by any household member.

4. Income may be documented by a standard written Verification of Employment (VOE) with detailed income information, an Income and Employment Verification Report from an agency approved third party vendors with detailed income information, or by Alternative Documentation (e.g. verbal VOE, one month's paystubs and previous one year's W- 2(s)).

5. Self Employed Income Documentation must include the most recently filed year of personal and business tax returns and if after the first three months of the current year, also the net income year-to-date signed and dated profit and loss (P&L) statement.

6. Working for Family Business

   a. Written Verification of Employment (VOE) may not be completed by a family member.

   b. One month's paystubs and the most recent one-year W2 are always required.

   c. Most recent one-year personal tax returns are always required.

E. Calculating Non-Self-Employed Income

The lender's Underwriter will then prepare a final Income Eligibility Worksheet and Lender Certification - (Attachment D) with the verified information and all income validated broken down by income type and submitted in the Pre-Closing Compliance Submission.

1. Calculating a Base Income

   Take the base income from the most recent paystub or the VOE and annualize it. For example, if the borrower is paid a base income of $1,150 biweekly, the biweekly amount should be multiplied by 26 to determine the borrower's annual base income of $29,900.

   NOTE: If there is a significant increase (+25%) or higher discrepancy in the base income calculated above and the year-to-date base income, an average will be used.

   The base income amount must be placed on the "Wages, Salaries, etc." line 3.1 on the Income Eligibility Worksheet and Lender Certification (Attachment D).

2. Documented Future Pay Raises

   Because of their arbitrary nature, it is not necessary to include future pay raises in the calculation of the eligibility income.

3. Non-traditional Receipt of Income

   If a borrower is a teacher, it must be determined whether the borrower is paid over nine, ten or twelve months. For example, if the borrower is paid over nine months and the income is $2,000 per month, multiply the monthly amount by nine to determine the annual income of the borrower.

4. Income of Union Workers (where the borrower had numerous jobs)

   The income from all the borrower's employers for the last full calendar year is totaled and used to determine the borrower's average annual income. If YTD shows a significant increase (+/-25%) higher those totals may need to be averaged in.

   If a union can provide a written VOE with all the income detailed totals from all employers then this can be used in lieu of verifying all employers' work in the past year and YTD.

5. Overtime, Commissions and Other Income

   This type of income needs to be calculated separately from regular base income and must be projected in an amount consistent with the history of the household member's earnings. Typically, this type of income may be averaged by totaling the last year plus year-to-date and then dividing by the total number of months this period represents and then multiplying by 12 to calculate an annual income.

   For example, if the year-to-date overtime is $400 and it is as of March 8th and the overtime for last year was $2,150 and, the total overtime of $2,550 is divided by 14.26 (which is the total of 12 months for the previous year plus 2.26 months for the year-to-date overtime), which equals $178.82 per month or $2,145.84 per year.

   NOTE: If there is a significant increase (+25%) or higher in the YTD totals than YTD average will be used.

   If the employer documents that it is seasonal or a single occurrence then we can reconsider calculation based on that documentation.

   If the VOE combines base pay with overtime and other income, the base pay and other income must be calculated separately. A copy of the most recent paystub and the last paystub from the previous year must be provided and must confirm the VOE information. If it doesn't, an explanation must be obtained from the employer to make an appropriate calculation.

   The projected Overtime, Commission and other Income amounts must be added to together placed on the "Overtime, etc." line 3.2 on the Income Eligibility Worksheet and Lender Certification (Attachment D).

6. Bonus income

   This type of income must also be projected in an amount consistent with the history of the household members. The lender must first determine how this type of income is paid. If the VOE or alternative documentation is not self- explanatory, obtain a written explanation from the employer, otherwise the worst-case scenario will be calculated.

   Bonus income must be added to together with and placed on the "Overtime, etc." line 3.2 on the Income Eligibility Worksheet and Lender Certification (Attachment D).

F. Calculating Business Income/Self-Employed Borrower

Total the net income plus the depreciation and depletion (including mileage calculation) from the most recent tax year, plus business use of home if used to determine total income from previously filed tax year for the business. Plus, when a year-to-date profit and loss (P&L) statement is required, calculate the net income plus depreciation, depletion and use of home to determine the total YTD income for the business. Add both together and divide by the total number of months covered by the tax returns and the P&L statement. If the calculations above result in a loss DO NOT reduce the borrower's annual compliance income by this amount.

If there is a significant increase/decrease (25%) then the higher amount of the previous year or YTD will be used.

This calculation must be placed on the "Business Income" line 3.3 on the Income Eligibility Worksheet and Lender Certification (Attachment D).

G. Interest, Dividends and Trust Income

If a borrower has a pattern of receiving Interest, Dividend, or Trust Income as evidenced by his/her tax returns or a Trust agreement an average annual amount is calculated by totaling the Interest, Dividend, or Trust Income received for the last year and Year to Date based on the most recent month account statement(s) and dividing this amount by total number of months covered by the tax return and the account statement(s) and then the result should be multiplied by 12 to arrive at an annual income. If the income is a set Annual amount per a Trust agreement use that annual amount. Place the total amount of compensation on the "Interest, Dividends, etc." line 3.4 on the Income Eligibility Worksheet and Lender Certification (Attachment D).

H. Insurance, Pensions, Social Security, Workman's Compensation and Other Periodic Payments.

This includes all periodic payments received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, or other similar periodic payments including lump sum payments for the delayed start of a period payment; payments in lieu of earnings, such as unemployment and disability compensation; workers compensation; and severance pay (see Exclusions from Income section).

When there is a monthly benefit this should be multiplied by 12 to determine the annual income. Place the total amount of compensation on the "Insurance, Social Security, Pensions, etc." line 3.5 on the Income Eligibility Worksheet and Lender Certification (Attachment D).

I. Unemployment Compensation

If a borrower has a pattern of receiving unemployment compensation as evidenced by his/her tax returns or annual unemployment compensation statements, an average annual amount is calculated by totaling the unemployment compensation received for the last year.

Place the total amount of unemployment compensation on the “Insurance, Social Security, Pensions, etc.” line 3.5 on the Income Eligibility Worksheet and Lender Certification (Attachment D).

J. Alimony and/or child support

If court ordered exists this must be counted whether received or not - Include the full amount in the Household Income Calculation.

If not court ordered - Do not include in the Household Income Calculation.

Alimony and/or child support received by any household member MUST be annualized and the total amount placed on the “alimony/child support” line 3.6 on the Income Eligibility Worksheet and Lender Certification (Attachment D).

K. Public Assistance

This includes the maximum amount of public assistance where such payments include amounts specifically designated for shelter and utilities that are subject to adjustment.

Amount must be annualized and the total amount placed on the “Public Assistance” line 3.7 on the Income Eligibility Worksheet and Lender Certification (Attachment D).

L. Gifts/Grants

Includes periodic and determinable payments and/or regular contributions received from someone not residing in the dwelling.

Amount must be annualized and the total amount placed on the “Gifts” line 3.8 on the Income Eligibility Worksheet and Lender Certification (Attachment D).

M. Allowances, etc.

Includes all allowance pay and special pay including all allowances received by a borrower or a member of the Armed Forces.

Amount must be annualized and the total amount placed on the “Allowance, etc.” line 3.9 on the Income Eligibility Worksheet and Lender Certification (Attachment D).

N. Tax Credits

Includes any earned income tax credit more than income tax liability that is recurring.

Amount must be annualized and the total amount placed on the “Tax Credits” line 3.10 on the Income Eligibility Worksheet and Lender Certification (Attachment D).

O. Exclusions from Income

Exclude income from the following sources from the total household income calculation:

1. Casual, sporadic, or irregular gifts.
2. Amounts which are reimbursements for the cost of medical expenses.
3. Lump sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and workers compensation), capital gains and settlements for personal property losses (but see Subsection 1.e. “Income to Be Included” section).

   Amounts of educational scholarships paid directly to the student or the educational institution, and amounts paid by the government to a veteran for use of such scholarships **(Note: Amounts which are available for subsistence are to be included in income).**
4. Hazardous duty-pay to a serviceman, away from home and exposed to hostile fire.
5. Relocation payments made pursuant to Title II of the Uniform Relocation Assistance in Real Property Acquisition Policies Act of 1970.
6. Foster childcare payments (unless formerly adopted and receiving foster subsidy).
7. Income of a live-in aide providing necessary support services for elderly, disabled or handicapped persons.
8. Payments to volunteers under the Domestic Volunteer Service Act of 1973.
9. The value of the allotment to an eligible household for coupons under the Food Stamp Act of 1977.
10. Income from employment outside the home of dependent children (including foster children) under the age of 18 years.
11. Payments or allowances made under the Low-Income Energy Assistance program.
12. Payments received from the Job Training Partnership Act.

P. Income Eligibility Worksheet and Lender Certification

1. The underwriter must complete a new final Income Eligibility Worksheet and Lender Certification (Attachment D) with the verified information and submit it to the Pre-Closing Compliance File.
2. If, upon verifying income, the borrower’s annual household income exceeds the income limit, the lender must reject the loan application. The borrower has the right to request a reconsideration of your decision. See "Eligibility Reconsideration" section.
3. Reductions in Income. The following household income reductions will make a loan ineligible for the Program:
   a. Borrower taking a voluntary reduction in pay or voluntarily terminating a job within six months of the date of application when that prior income would have made the loan ineligible for the Program.

b. Deletion of a borrower from the loan application or deletion/addition of a household member from the Buyer's Affidavit when that person's income would have made the loan ineligible for the Program, or the additional household member will make the loan eligible.

Q. Pre-Closing Compliance Review of Income

1. The eligibility income for an RHS/USDA guaranteed loan is the lesser of the applicable Program or RHS/USDA income limit.
2. The Income Eligibility Worksheet and Lender Certification (Attachment D) indicates that the income is within the income limit for the Program. The Lender's Underwriter will also certify that the loan has been underwritten for all other requirements of the Program and that the loan is an eligible loan under the Program.
3. Applications for which the eligibility income exceeds the income limit for the Program will not be approved at the pre-closing compliance review and will not be purchased by the master servicer. If incomes are determined to be ineligible during quality control reviews, the affected loans must be the responsibility of the Lender.

R. Confirming Income at Settlement

The borrower will complete the Buyer's Confirming Affidavit at settlement and indicate whether the anticipated eligibility income or any other eligibility information has changed.

2.9 ASSETS

MMP DOES NOT CREDIT UNDERWRITE AND QUALIFY THE LOAN. IT IS THE LENDER'S RESPONSIBILITY TO ENSURE THE LOANS RESERVED WITH MMP SUBMITTED TO U.S. BANK FOR PURCHASE MEET U.S. BANK'S GUIDELINES. MMP HAS ONLY THE RESPONSIBILITY OF ITS OWN GUIDELINES/REQUIREMENTS AND IT CANNOT BE HELD RESPONSIBLE IF AN MMP LOAN IS NOT MEETING ANY OF THE THIRD PARTY'S REQUIREMENTS THAT MAY AFFECT THE LOAN.

A. Borrower's Required Investment in the Property.

A borrower's required investment in the property is the minimum required by the insurer or guarantor. A borrower's sweat equity investment which meets the requirements of the insurer/guarantor is acceptable under the Program.

B. Asset Test Procedure

1. The Asset Test Worksheet is only completed for Borrowers whose liquid assets equal or exceed 20% of the purchase price of the property. Included in liquid assets are gifts in the form of cash or equity. **The lender will complete the Asset Test Worksheet and submit it to MMP for review regardless of a Pass or Fail result**. MMP then reviews the worksheet and will either approve, deny, or consider an exception as noted in Section F below.

2. A "Gift of Equity" is defined as the difference between the purchase price and the appraised value in a "non-arm's length" transaction (i.e., parent to child, employer to employee).

3. Borrowers with liquid assets equal to 20% or more of the purchase price may not be eligible for the Program if they can afford a mortgage at the applicable asset test interest rate. The weekly asset test rates are published on the daily rate sheet in the top left corner or may be obtained by e-mailing Single Family Housing at singlefamilyhousing.dhcd@maryland.gov.

4. The Lender will verify **all** assets (see below) for each Borrower and include them when completing Attachment D.

5. The Asset Test Worksheet will indicate if the loan application is eligible or an exception has been pre-approved by CDA on fails. The Worksheet must be completed, signed,

   and dated by the Lender's authorized representative (this may be the underwriter, loan officer, processor, etc., as approved by the Lender).

C. Calculating a Borrower's Assets

All assets are to be considered, including but not limited to the following:

1. Items paid outside of closing (examples include but are not limited to the appraisal, credit report, home inspection and deposit on property).
2. Savings accounts.
3. Checking accounts.
4. Certificates of deposit.
5. The total balance of joint accounts.
6. Money market or mutual fund accounts.
7. In trust for accounts (amount accessible).
8. Business bank accounts including Schedule C, Partnership and Chapter S corporate bank accounts (where borrower is an owner of the Partnership or Chapter S corporation).
9. Any other bank accounts.
10. Any stocks or bonds.
11. Cryptocurrency, digital currencies, or altcoins (i.e., Bitcoins, Litecoin, Ethereum, etc.) NOTE: If the borrower intends to use these funds for settlement expenses, all agency and US Bank guidelines must be followed and met, and the amount documented and liquidated to US Currency.
12. Funds documented by gift letters.
13. Any funds derived or to be derived from the sale of real property, any mobile home or other property prior to loan closing. Documentation showing net proceeds from any such sale is required.
14. Amount used or borrowed from a life insurance policy, IRA, or 401K (less penalty).
15. Gifts of equity (per paragraph B above; the appraised value is listed on line 1 of the Asset Test Worksheet).

D. Verification of Assets

1. The lender will verify all assets as noted above by obtaining an Asset Verification Report with a minimum 30-day transaction history from an agency approved third party vendor, or alternative documentation (one month's most recent bank statement for each account as of the date of reservation).

2. Earnest Money Deposit (EMD) must be verified if it has been given and cleared the verified asset accounts.

3. Any gifts given or to be given must be documented with a gift letter.

4. Source of funds for large deposit(s), transfer(s) from other accounts not provided and additional income from other employment not disclosed must be explained and documented accordingly.

E. Exclusions

1. The cash surrender value of a life insurance policy, IRA account, 401k account, or 529 College Saving Plan may be excluded from the liquid assets as well as from the Income Eligibility Worksheet unless the borrower intends to use or borrow against these funds for settlement expenses. In this situation, only the amount being used or borrowed, less any penalty, is to be included in the liquid assets.

2. The value of a lot on which the borrower is building a home to be financed by the Program loan.

3. Proceeds from any secondary financing or grant used for the purchase of the home.

4. Relocation benefits under the Federal Uniform Relocation Act in connection with condemnation proceedings (to be substantiated by a letter in the Pre-Closing Compliance Submission).

F. Exceptions to Asset Test

All **FAIL** results are required to be reviewed by the CDA operations and/or underwriting team for consideration of a possible exception in conjunction with, but not limited to, the requirements below:

1. The borrower's household income is at or below 55 percent of statewide median income for a family of four, as published by HUD.

2. The regular income is fixed, such as pension or social security.

3. The interest, dividend, or trust earnings on the assets equal at least 50 percent of the total household income.

2.10 PROPERTY REQUIREMENTS

A. New Construction – Priority Funding Areas

New Construction must be located in a Priority Funding Area ONLY
Lenders need to validate that the property location is acceptable. Identify this using The Mapper: - MMP Mapper

Print the screen confirming the Priority Funding Area status shows "YES" and include it in the Pre-Closing Compliance submission. For more information about using The Mapper, there is information on our website here: Maryland Mortgage Program Mapper Guide

If the property is too new to show on The Mapper, e-mail the Maryland Department of Planning (MDP) for confirmation at mdp.planreview@maryland.gov. For an official determination, MDP requires that each PFA request provide the following real property information for the parcel(s) in question:

- Map Number
- Grid Number
- Parcel Number
- Full Premise Address (Including County and ZIP Code)
- Vicinity Map

This real property information allows MDP to accurately locate and assess the parcel(s) or subdivision in question and then generate a thorough PFA Determination.

You can locate this information through the SDAT: Real Property Data Search using the following instructions:

You will need to select the county where the parcel in question is located and then input the premise number (not required) and premise name. No premise type is needed (i.e., St., Rd., Ln., etc.).

Include the required real property information as listed above in the e-mail mdp.planreview@maryland.gov. You may either copy and paste the link for the Real Property Search Results into an e-mail or carefully note the requested details.

B. Residences over one year old that have not been previously occupied are considered existing units. The appraisal must be completed a year or more after the Use and Occupancy Certificate was issued to be considered Existing.

C. Residences less than a year old are considered new.

D. Occupying the Residence

Buyers must intend to occupy the residence within 60 days of settlement. However, a post settlement rental agreement with the seller is permitted if the seller is waiting for completion of a new home and the completion is expected to be within 120 days.

E. Eligible residences include **single-unit** residences that are:

1. Detached, one-half of a duplex (semi-detached), attached (townhouse) units, or single-family unit with an accessory dwelling unit (ADU) meeting Servicer/GSE guidelines.

2. Condominium units approved by and meeting Servicer/GSE guidelines.

    a. Must follow US Bank condominium guidelines and be approved.

    b. Condominium Project Review (Section 800) of the US Bank HFA Lending Guide can be found at the following link: US Bank HFA Lending Guide

3. Manufactured Housing meeting Servicer/GSE guidelines.

a. US Bank and the insurer standard underwriting guides and overlays.

b. Manufactured (mobile) homes that have the State seal of approval and permanently affixed.

c. US Bank requires approved/recorded MVA form VR-451.

d. Manufactured home cannot be located on leasehold estate or rented land.

e. Single-wide mobile homes are not permitted.

F. Ineligible Residences – Housing types excluded from the Program: Housing types excluded from the Program are:

1. Manufactured (Mobile) Homes that are not permanently based and are not registered in Land Records.

2. Cooperatives.

3. Rental homes or any home a portion of which is to be rented.

4. Investment homes.

5. Properties from which a trade or business is conducted in the principal structure or outbuildings without the prior written CDA approval of the proposed business use. Refer to the Additional Buyer's Affidavit Relating to Business Use of Residence Attachment N and paragraph G below.

6. "Like Kind" exchange properties under Section 1031 of the Internal Revenue Code UNLESS PRE-APPROVED BY CDA (See Section 2.9H).

7. Properties purchased through the sale of contract rights.

8. Properties with two separate lots and tax IDs. MMP Loan cannot be used to purchase the adjoining lot even if it is not buildable and currently listed on the same deed. Lots would need to be consolidated by the county to one lot and one tax ID before the property would be acceptable collateral.

9. See INELIGIBLE USE OF LOAN PROCEEDS (Section 2.11) for further information.

G. Proposed Business Use of Residence

1. The Additional Buyer's Affidavit Relating to Business Use of Residence Attachment N must be submitted for review and approval by the MMP Compliance Underwriter with the submission of the Pre-Closing Compliance submission.

2. For all business use, other than daycare services, the applicable percentage is the Percent of the Area. For daycare services, the applicable percentage of the residence that will be used for daycare is the Use Percentage. If the applicable percentage calculated under 4(c) or 4(d)(ii) in the Additional Buyer's Affidavit Relating to Business Use Attachment N exceeds 15%, the business use will not be approved.

3. The Additional Buyer's Affidavit Relating to Business Use of Residence Attachment N approved by the Program must be included in the Pre-Closing Compliance Submission.

H. Maximum Lot Size

The maximum lot size under the Program is 4 acres; however, exceptions may be requested from the Program, by the Lender, for septic and/or zoning considerations that require specific parcel sizes. The maximum exception will not exceed 10 acres. The Lender will request the exception from the Program's Single-Family Housing Underwriting or Operations Manager listing the reason(s) why the exception should be made. Provide the primary borrower's name, address, and loan number plus any pertinent documentation from the property locality or county with your request. Contact the county's Office of Planning and Zoning for assistance in obtaining the required documentation. This should be requested as soon as the Lender is made aware of the situation.

I. Maximum Loan Amount

The maximum loan amount under the Program is determined annually and can be located at the following link - MMP Income and Purchase Price Limits

J. Maximum Acquisition Cost

Acquisition cost for the purpose of this Program is defined in accordance with the Internal Revenue Code of 1986, as amended, and is to be reflected in the initial Buyer's Affidavit.

1. The total acquisition cost of the property must not exceed the limit established by the Program for the applicable jurisdiction. These limits may change from time to time in accordance with requirements of the Program and the federal government. Total acquisition costs can be found at the following link - MMP Income and Purchase Price Limits
2. If, prior to loan closing, there is an increase in the total acquisition cost of the property and the new total exceeds the applicable limit, the property is no longer eligible, and the loan cannot be purchased and should not be closed.
3. Exclusions from the acquisition cost calculation are:

    f. Customary closing costs.

    g. Prepaid expenses.

    h. Points and origination fees.

    i. Any financed FHA UFMIP, RHS/USDA Guarantee fee, or VA funding fee.

4. The calculation for the acquisition cost must include:

    a. The contract sales price less the cost of personal property (the cost of fixtures is not deducted) included in the price.

b. Any capitalized ground rent, the amount of which is to be calculated using a ground rent factor of 200. The capitalized ground rent is determined by multiplying 200 times the monthly ground rent. (EXAMPLE: Yearly ground rent of $120 divided by 12 equals a $10 monthly ground rent. Monthly ground rent of $10 times 200 equals $2,000, which is the amount of the capitalized ground rent to be listed in the Buyer's Affidavit).

c. Any additional costs to complete the dwelling not included in the sales contract, such as options, well and septic systems, other site development costs, any contemporaneous arrangement for other work or services in completing or adding to the dwelling, and/or the cost of replacing fixtures removed by the seller.

d. Any other financial consideration between the buyer and the seller in connection with the property such as UDAG/CDBG grants, site completion, etc.; and

e. The appropriate value of a lot owned by the borrower for two years or less on which the dwelling is to be built.

K. Value for Buyer's Affidavit

When a dwelling is to be built on a lot owned by the borrower for two (2) years or less, the greater of the cost or current appraised fair market value of the lot must be included in the Buyer's Affidavit for determining the acquisition cost.

1. Financing Criteria

When a dwelling is to be built on a lot owned by the borrower for two years or less, either free and clear or by a mortgage having an initial term and any subsequent term not exceeding two years, it may be mortgaged through the Program up to an amount equal to the payoff of any lot loan and closing costs.

2. Mortgage Loan Limit

The mortgaged value attributable to the lot may not exceed the lesser of its cost to the borrower or its current appraised value. The borrower, in either of these circumstances, must submit evidence of the cost of the land and the term(s) of any temporary financing.

3. Not Financeable

A lot owned by the borrower for more than two years may not be mortgaged through the Program and the home being built is eligible only if the lot is currently owned free and clear.

4. Maximum Appraised Value

The appraised value of the property may not exceed 125% of the current Maximum Acquisition Cost for the applicable jurisdiction.

5. Property Appraisal

   A current appraisal is required, with the origination lender as the "client." Appraisal Waivers are not acceptable at this time on any MMP products.

2.11 INELIGIBLE USE OF LOAN PROCEEDS

A. Except as authorized in writing by CDA in its sole discretion, no portion of the proceeds of a Program loan may be used to enrich the borrower, nor refinance, directly or indirectly, an existing mortgage loan or loans of the borrower on the residence other than:

   1. a qualified lot loan [see 2.7 I, 4 e (2) & (3)]; and

   2. a construction loan or a bridge loan or other similar temporary initial financing: or

   3. a loan refinanced using the MMP 97% Conventional Refinance Program

B. Pay any financing or settlement costs (except for any financed FHA UFMIP, VA funding fee, RHS guarantee fee or Conventional single premium mortgage insurance) or any other adjustments.

C. Pay the cost of any items deducted from the sales contract price by computing the acquisition cost of the residence as identified in the Buyer's Affidavit.

D. Finance a land installment contract.

E. Finance a wrap-around mortgage.

F. Facilitate the selling of contract rights; or

G. Finance a "like-kind" exchange of properties under Section 1031 of the Internal Revenue Code ("1031 exchange"), when an intermediary or other entity is executing the deed transferring the home to the buyer UNLESS A CDA LEGAL REVIEW IS PERFORMED PRIOR TO THE CLOSING. To be approved, the lender must submit a copy of the Intermediary/Exchange Agreement between the seller and the intermediary entity, along with a complete copy of the contract of sale and Seller's Affidavits completed by the seller and the intermediary, to CDA prior to submitting the Pre-Closing MMP/MBS Compliance Submission. The Confirming Seller's Affidavits completed by the Seller and the Intermediary must be included in the Post-Closing MMP/MBS Compliance Submission (Attachment EE). However, if the seller, who is holder of legal title to the home, executes the deed transferring the home to the buyer, a loan that involves a 1031 exchange may be purchased WITHOUT A LEGAL REVIEW of the real estate exchange agreement and other documentation in connection with the 1031 exchange.

SECTION 3 - COMPLIANCE REVIEW AND SUBMISSION

3.1 PRE-CLOSING COMPLIANCE

A. Mandatory Review

Prior to closing, Program staff will complete a compliance review of all loans.

B. Delivery of Pre-Closing Compliance Packages

Participating lenders shall submit to the Program the appropriate **Pre-Closing Compliance checklist and complete package** for the first mortgage loan and second mortgage loan if applicable, for compliance review/approval after their underwriter has approved the file.

The checklist lists the documents required for submission of a Pre-Closing Compliance package to the Program for approval. **The package must be submitted with ALL the required documents in the order shown on the checklists** before CDA will approve the loan for Pre-Closing Compliance. Loan packages must be complete based on the checklist being used and submitted in a PDF file using eDocs on Lender Online:

MMP Lender Online (LOL)

When submitting a loan package per the checklist make sure to click on "Submit" once you have uploaded the complete package for the submission to be seen and assigned to an underwriter.

Program staff will review each complete file to verify that all documentation is complete and that the loan file meets the terms and conditions of the Program.

All applicable affidavits must be accurately completed and included in the file submitted to the Program. Fannie Mae, VA, HUD, Freddie Mac are not required to execute a Seller's Affidavit in connection with the selling of their Real Estate Owned (REO) single family homes. Neither CDA nor U.S. Bank has the authority to alter or waive any applicable affidavits.

The Pre-Closing Compliance package will be reviewed on a **"first-submitted, first-reviewed" basis**. Program staff will post deficiencies ("Compliance Conditions") on Lender Online and notify the lender by e-mail. It is the Lender's responsibility to review and respond promptly to any documentation requirements for Pre-Closing Compliance approval.

Documentation to fulfill compliance conditions is to be submitted using eDocs on Lender Online. If there are conditions, please submit all required conditions together in one re-submission. The most current attachments and loan documents are posted on Lender Online and/or downloadable as part of the closing package from Lender Online. The lender should always use the current downloadable documents to ensure the most current version:

MMP Lender Online (LOL)

C. Compliance Package Review

It is the lender's responsibility to certify that each borrower and the property submitted for compliance review meets the eligibility requirements as stated in this Manual.

1. The lender must thoroughly investigate each area of eligibility and collect sufficient documentation to establish compliance with the requirements.
2. The lender must sign the Income Eligibility Worksheet and Lender Certification (Attachment D), which contains a Lender Certification section, for each loan.
3. Once the Underwriting Compliance Review status is listed as "APPROVED" in Lender Online, the lender may download the closing package and close the loan.

D. Pending

Pending status indicates that the loan has been assigned and is pending review.

E. Incomplete

Incomplete status indicates that the loan has been reviewed and there are outstanding conditions that are needed for an approval.

F. Approval

If the pre-closing compliance file is complete and meets all of the eligibility criteria for Program compliance, CDA will approve the pre-closing compliance file and the approval will be listed on Lender On-Line as "UW/Compl Review/APPROVED on [*the date of approval*]." The "UW/Compl Review/Approved" status in Lender Online indicates that a pre-closing compliance review of the loan has been performed, and the loan is in compliance as of the time of the pre-closing compliance review. Once the "UW/Compl Review" status is listed as "APPROVED" in LOL, the lender may close the loan. It is recommended that the Lender print the LOL Loan Status page for their records.

IMPORTANT: BORROWERS MUST MEET THE ELIGIBILITY REQUIREMENTS NOT ONLY AT THE TIME OF THE PRE-CLOSING COMPLIANCE REVIEW BUT ALSO AT THE TIME OF THE LOAN CLOSING.

IT IS THE LENDER'S RESPONSIBILITY TO ENSURE THE LOANS RESERVED WITH MMP SUBMITTED TO U.S. BANK FOR PURCHASE MEET U.S. BANK'S GUIDELINES. MMP HAS ONLY THE RESPONSIBILITY OF ITS OWN GUIDELINES/REQUIREMENTS AND IT CANNOT BE HELD RESPONSIBLE IF AN MMP LOAN IS NOT MEETING ANY OF THE THIRD PARTY'S REQUIREMENTS THAT MAY AFFECT THE LOAN.

Events that may occur after the pre-closing compliance review which would make the loan ineligible for purchase by CDA include but are not limited to:

- an increase in household income,

- an increase in the acquisition cost of the property,
- failure to sell other real property before closing the Program loan, and
- failure to obtain the necessary documents at loan closing.

The borrower(s) must sign a Confirming Affidavit at closing either to affirm that the representations contained in the initial Affidavit are true and correct as of the date of the closing or to reflect any changes occurring subsequent to the initial Affidavit.

G. Eligibility Reconsideration

Should the lender or CDA determine that a borrower is not eligible for the Program pre-closing, the borrower should be informed of his right to request a reconsideration of the denial.

1. Each reconsideration request must be made in writing by the borrower, be submitted through the lender within 30 days of the denial notice, and contain all the following information:

    a. a cover letter from the lender requesting consideration of the borrower's request.

    b. a copy of the letter from the lender rejecting the borrower's application.

    c. the borrower's signed reconsideration request.

    d. a copy of the loan application.

    e. documentation describing the basis for the request.

    f. a copy of all the information and documentation submitted by the borrower supporting the basis of the reconsideration request.

    g. a copy of the Income Eligibility Worksheet and income documentation when income is the issue.

2. All reconsideration requests are to be sent to CDA via e-mail to: singlefamilyhousing.dhcd@maryland.gov

3. The committee will review each reconsideration request and will notify the lender and the borrower of the final decision. Any questions concerning a reconsideration request should be directed to CDA at: singlefamilyhousing.dhcd@maryland.gov

4. The financing of any mortgage loan upon successful reconsideration is subject to the availability of Program funds at the time of approval.

3.2 ESCROW HOLDBACKS

A. The escrow holdback cannot be rolled into the loan amount.

B. The escrow holdback cannot be for any item that impacts safety, a hazard, or affect livability.

C. The lender must follow Agency (FNMA, FHLMC, FHA, VA, RHS/USDA) and Investor (US Bank) as well as the PMI guidelines for escrow holdback.

D. MMP does not need to review escrow holdbacks but, lender must comply to above so loan can be purchased by Investor (US Bank).

3.3 CLOSING INSTRUCTIONS

A. Once the pre-closing compliance first (and second, if applicable) loans have received Pre-Closing Compliance Approval in Lender Online (LOL), the lender can download the Closing Package, which will include the pertinent documents: Closing Instructions, Award Letter, Commitment Letter, DPA Deed of Trust and Note, and/or other applicable documents.

B. It is the lender's responsibility to follow all the instructions on the package Closing Instructions pages.

C. Fire and Extended Coverage Insurance

   1. The endorsement should have a standard mortgagee payee clause, and the Loss Payee clause should read:

      U.S. Bank National Association
      Its Successors and Assigns as Their Interest May Appear
      c/o U.S. Bank Home Mortgage
      P.O. Box 961045
      Fort Worth, TX 76161-0045

   2. The policy must be for the full insurable value of the property written through companies acceptable to the first mortgagee.

D. Servicing Transfer Notice Address and Information

   U.S. Bank Home Mortgage
   Attn: Customer Service
   PO Box 21948
   Eagan, MN 55121-4201
   Phone - 1-800-365-7772
   Hours: 7:00 AM - 8:00 PM Central (Monday-Friday)

E. Document Submission

   Master Servicer: The fully executed Deed of Trust Notes along with a Certified Copy of the Deeds of Trust, and the Commitment Letters with the borrower's original signature, are to be forwarded to U.S. Bank along with all other necessary documentation via U.S. Bank's electronic imaging system, DocVelocity. Additional information on purchase file submission can be obtained on U.S. Bank's HFA Division website, located under the following link: US Bank HFA Lending Guide

F. Lenders **Do Not** return any original documentation to DHCD.

1. The original fully executed Deed of Trust Notes (1st and 2nd) should be sent to:

   U.S. Bank Home Mortgage
   ATTN: Note Vault
   5th Floor
   9380 Excelsior Blvd
   Hopkins, MN 55434

2. After recording, the original and one certified copy of the Deeds of Trust (1st and 2nd) should be sent to:
   U.S. Bank National Association
   ATTN: CICR CN-KY-WHCI
   800 Moreland Street
   Owensboro, KY 42301-2046

3.4 POST-CLOSING COMPLIANCE

A. Delivery of Post-Closing Compliance Files

Immediately after closing, the lender must submit a Post-Closing Compliance Submission package for the first and second, if applicable, mortgage loan to MMP for compliance review/approval before the loan will be considered for purchase by the Master Servicer.

Submit package in PDF using eDocs on Lender Online.

MMP Lender Online (LOL)

Post-Closing Compliance packages will be reviewed on a "first-submitted, first-reviewed" basis. Program staff will post any deficiencies ("Compliance Conditions") on Lender Online. It is the lender's responsibility to review and respond promptly to any documentation requirements for Post-Closing Compliance approval.

Compliance Conditions are to be submitted using eDocs on Lender Online.

MMP Lender Online (LOL)

B. MMP Post-Closing Compliance Approval

If the Post-Closing Compliance file is complete and meets all of the eligibility criteria for Program compliance, MMP will approve the Post-Closing Compliance file and the approval will be listed on LOL as “Commit/Complian/APPROVED” on [the date of approval].” The “Commit/Complian/ APPROVED” status in LOL indicates that a Post-Closing Compliance review of the loan has been performed, and the loan is in compliance as of the time of the Post-Closing Compliance review. It is recommended that the Lender print the LOL Loan Status page for their records.

The information that goes on the top right corner of the MMP DPA Deed of Trust is the Property Tax ID Number (aka the Account Identifier) or the Parcel Number. One or the other is required, not both. This information can be obtained on the Maryland Department of Assessments and Taxation website by using their Real Property Data Search tool:

MD State Department of Assessments and Taxation (SDAT)

C. MMP Compliance Approval Commitment

Compliance approval Commitment shows as “Commit/Compliant” stage status and is listed as APPROVED in LOL. Master Servicer US Bank is notified electronically within 24 hours of commitment and the lender must meet all US Bank requirements for purchase.

NOTE: If the post-closing file is not approved by MMP or purchased by US Bank and it includes a down payment assistance lien (DPA), the lender will have to return the down payment assistance funds to MMP (in case CDA has paid for the DPA) and provide the following documents to MMP, to enable CDA to release the DPA lien:

1. Certificate of Satisfaction (release of mortgage) or
2. Assignment of deed of trust and note (assignment).
3. Allonge (same as assignment #2)

Refer to the Section 6 - Down Payment Assistance Loans and Grants for further information on DPA liens.

D. Eligibility Reconsideration

Should the Lender or MMP determine that a borrower is not eligible for the Program post-closing, the borrower should be informed of his right to request a reconsideration of the denial.

1. Each reconsideration request must be made in writing by the borrower, be submitted through the lender within 30 days of the denial notice, and contain all the following information:
   a. a cover letter from the lender requesting consideration of the borrower’s request.
   b. a copy of the letter from the lender rejecting the borrower’s application.
   c. the borrower’s signed reconsideration request.

d. a copy of the loan application.

e. documentation describing the basis for the request.

f. a copy of all the information and documentation submitted by the borrower supporting the basis of the reconsideration request.

g. a copy of the Income Eligibility Worksheet and income documentation when income is the issue.

2. All reconsideration requests are to be sent to CDA via e-mail to: singlefamilyhousing.dhcd@maryland.gov

3. The committee will review each reconsideration request and will notify the lender and the borrower of the final decision. Any questions concerning a reconsideration request should be directed to CDA at singlefamilyhousing.dhcd@maryland.gov

4. The financing of any mortgage loan upon successful reconsideration is subject to the availability of Program funds at the time of approval.

3.3 ELECTRONIC SIGNATURES

A. Maryland Mortgage Program (MMP) implemented an Electronic Signature Policy. When utilizing Electronic Signature(s), the proof of electronic signature(s) must be attached to that document.

B. Pre-Closing Compliance Documentation – First Mortgage following MMP Documentation may be Electronically Signed:

- Buyer’s Affidavit
- Notice to Borrowers
- Seller’s Affidavit
- Attachment A - Separation Affidavit
- Attachment F – Asset Test
- Attachment J – Affidavit in Lieu of Current Year's Tax Return(s)
- Attachment N - Additional Buyer's Affidavit Relating to Business Use of Residence
- Attachment S - Affidavit Regarding Not Being Required to File Tax Return(s)
- Attachment T - Certification of Pregnancy
- Attachment V - Veteran First Time Homebuyer Exemption Certificate
- Borrower's Affidavit for Refinance Loans
- CDA Certificate of Disability
- No Income Letter

C. Pre-Closing Compliance Documentation – Second Mortgage following MMP Documentation may be Electronically Signed:

- DPA Borrower's Application and Affidavit
- Builder Developer Incentive Program (BDIP) - Verification of Contribution
- Community Partner Incentive Program (CPIP) - Verification of Partner Contribution

- DPA Attachment D - Request for Lien Exception
- House Keys 4 Employees (HK4E) - Verification of Partner Contribution

D. Post-Closing Compliance following MMP Documentation may be Electronically Signed:

- Buyer's/Borrower's Confirming Affidavit
- DPA Closing Instructions
- DPA Commitment Letter
- Notice to Borrower for Calculating Potential Recapture Tax

E. Post-Closing Compliance following MMP Documentation is not included in this exemption and **still requires a live, original signature**:

- DPA Deed of Trust
- DPA Deed of Trust Note
- All Applicable Riders including the Tax-Exempt Finance Rider (required for all MMP first mortgages).

SECTION 4 - MORTGAGE INSURANCE/GUARANTY

4.1 CONVENTIONAL UNINSURED (LTV RATIO OF 80% OR LESS) AND INSURED (LTV RATIO OF 80% OR GREATER)

NOTE: Please refer to each fact sheet specific to each of the MMP products for complete and specific underwriting criteria.

IT IS THE LENDER'S RESPONSIBILITY TO ENSURE THE LOANS RESERVED WITH MMP SUBMITTED TO U.S. BANK FOR PURCHASE MEET U.S. BANK'S GUIDELINES. MMP HAS ONLY THE RESPONSIBILITY OF ITS OWN GUIDELINES/REQUIREMENTS AND IT CANNOT BE HELD RESPONSIBLE IF AN MMP LOAN IS NOT MEETING ANY OF THE THIRD PARTY'S REQUIREMENTS THAT MAY AFFECT THE LOAN.

A. Must be underwritten to current Fannie Mae HFA Preferred or Freddie Mac HFA Advantage underwriting guidelines.

B. "HFA Preferred" or "HFA Advantage" depending on which loan type is being used must be selected when loan is run through automated underwriting.

C. Secondary financing must meet Fannie Mae's or Freddie Mac's guidelines for "Community Seconds".

D. Automated and Manual Underwriting is allowed however, all loans must meet Insurer and Servicer guidelines. Makes sure all US Bank Overlays have been met.

E. See the 30 Year Purchase Loans Fact Sheet, for current Maximum Loan to Value Ratios and Maximum Debt to Income Ratios

Standard 30 Year Purchase Product Fact Sheet

4.2 LOANS WITH LTV RATIOS GREATER THAN 80%

A. Must be insured or guaranteed by one of the following:

1. Federal Housing Administration (FHA).
2. Veterans Administration (VA).
3. Rural Housing Services (RHS).
4. A participating private mortgage insurance company (MI company), as defined in Section B below.

B. Private Mortgage Insurance

In order to be eligible for purchase by U.S. Bank, the loan must be insured by an MI company that meets the following requirements:

1. Name of the MI company must appear on CDA's "Participating Private Mortgage Insurance Companies" list.

2. The originating lender must ensure the following:

   a. The MI Company is a duly organized and existing entity authorized to issue mortgage insurance in the State of Maryland; and

   b. The MI company is a "qualified mortgage insurer" as defined and approved by Fannie Mae/Freddie Mac and Master Servicer U.S. Bank.

C. Private Mortgage Insurance Coverage

Mortgage Insurance premiums are determined by Area Median Income (AMI). Current reduced MI coverage chart can be found on the Fannie Mae and Freddie Mac's Websites:

- ➢ FNMA HFA Preferred Fact Sheet (see Mortgage Insurance section)

- ➢ FHLMC HFA Advantage Fact Sheet (see Mortgage Insurance section)

D. Continuous Coverage

To the extent permitted by the Homeowners Protection Act, the policy must provide for continuous insurance coverage to US Bank, as long as US Bank is the mortgagee, and the premium is being paid.

E. Private Mortgage Insurance Premium Structure

The structure of the mortgage insurance premium/payments must meet both Agency and Master Servicer requirements and guidelines:

- ➢ Fannie Mae or Freddie Mac
- ➢ Master Servicer US Bank.

F. Homeowners Protection Act

Lender shall provide the borrower with notices and disclosures required by the Homeowners Protection Act at the time of closing.

G. Cancellation of Private Mortgage Insurance

Borrower(s) will have termination and cancellation rights available under the Homeowners Protection Act.

If the borrower does not request private mortgage insurance cancellation, U.S. Bank will automatically cancel private mortgage insurance on these loans when the LTV ratio is scheduled to reach 78 percent, based on the value of the home at loan origination, provided the loan is current at that time.

SECTION 5 - HOMEBUYER EDUCATION

5.1 MANDATORY

Homebuyer education is MANDATORY for all purchase money mortgages, and ALL borrowers must complete the requirement whether or not they are first-time homebuyers. Borrowers are required to receive homebuyer education that meets at least the minimum FNMA, FHLMC, or FHA standards. See additional requirements in 5.2 below.

A. Homebuyer Education is required prior to loan approval.

B. Certification can be no more than 12 months old at the time of closing.

5.2 REQUIREMENTS

A. If the borrower is utilizing funds from an external source, the homebuyer education requirements established by the funding source must also be met, in addition to any requirement by the Insurer or Master Servicer.

B. Certificate(s) must be included in pre-closing submission for ALL borrowers.

C. Homebuyer education classes can be any class approved by HUD, Fannie Mae, Freddie Mac, or private mortgage insurers. Classes can be online or in-person, but a dated completion certificate must be issued.

D. The class must be completed within 12 months prior to closing. All pre-contract restrictions have been eliminated.

E. Homebuyer education completion certificates are transportable across Maryland jurisdictions; a certificate earned in one jurisdiction will qualify for purchase in another jurisdiction.

PLEASE NOTE: When using funds from another source, the borrower must still align with all the source's applicable requirements and guidelines.

More information about homebuyer education choices can be found on our website:

Homebuyer Education

SECTION 6 – DOWN PAYMENT ASSISTANCE LOANS AND GRANTS

6.1 ELIGIBLE JURISDICTIONS

Available statewide.

6.2 ELIGIBLE SETTLEMENT EXPENSES

DPA loans and grants may be used to fund settlement expenses and/or down payment subject to the requirements of the insurer/guarantor. Included are settlement expenses that are associated with home purchase, 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. Up to 30 days of prepaid interest.

I. Appraisal and credit report fees.

J. Home inspection fees and Home warranty fees.

K. Other reasonable and customary expenses.

6.3 ELIGIBLE FIRST MORTGAGES

A. Must be a purchase money mortgage loan originated under CDA's Maryland Mortgage Program (MMP); fact sheet for first mortgage must allow DPA.

   NOTE: Please refer to each fact sheet specific to each of the MMP products for underwriting criteria in addition to general programs guidelines.

B. May not be used in conjunction with a refinance loan.

6.4 LOAN RESERVATION

DPA funds are reserved in Lender Online when the MMP First Mortgage is reserved. Check the product fact sheet if DPA loan amount is calculated off the first mortgage, use the full loan amounts include any financed MIP, VA Funding Fee, MI or Guarantee Fee rounded down the nearest dollar ($). Do NOT round up.

6.5 LIEN POSITION

If borrower is receiving MMP and assistance loans (either MMP DPA or other):

A. MMP first mortgage loan must be recorded in the first lien position.

B. DPA/Partner Match Program loan must be recorded in second lien position.

C. MMP will consider approval of DPA loan in third lien position if the loan in second lien position is a loan from a federal, state or local government agency or a nonprofit agency considered an instrumentality of government. For subordinate lien position exceptions, a DPA Attachment D – Request for Lien Exception must be submitted with your pre-closing compliance package, it will be reviewed by the underwriter and forwarded to manager for approval.

6.6 TITLE INSURANCE

A. Title insurance is not required for DPA Loan.

B. The lien position of the DPA loan must be listed on the Title Insurance binder/commitment. The DPA loan must be in 2nd lien position unless an exception is granted.

C. An exception must be approved by CDA for the DPA to be in 3rd lien position utilizing the DPA Attachment D - Request for Lien Exception when submitted for Pre-Closing Compliance Review.

D. Title Binder Sample Language:
DOT to Department of Housing and Community Development of the State of Maryland in 2nd lien position securing the principal amount of $ ______.

6.7 FEES

A. No settlement fees may be charged to close the DPA/Partner Match Program loan.

1. Any standard doc prep, processing or underwriting fees charged may not reference MMP, DPA, CDA or any other bond program terminology. The fees should not appear to be charged by the Program.

2. Any Master Servicer required fee that can be passed on to the buyer cannot reference MMP, DPA, CDA or any other bond program terminology and must note being paid to the servicer. (ex: Funding Fee paid to US Bank)

6.8 DOWN PAYMENT ASSISTANCE PROGRAM FUNDS

Down Payment Assistance loans have a 0% interest rate, deferred, repayable when the first mortgage ends (sale, refinance, etc.). These loans cannot be subordinated.

Any excess DPA funds must be applied to the first mortgage principal at closing. Borrower(s) may get back their upfront contributions to the transaction if the minimum borrower's contribution has been met as per the program parameters.

All Down payment and Settlement Expense Loan Program (DSELP) and Down Payment Assistance (DPA) loan security instruments are exempt from recording fees, surcharges and recordation/transfer taxes in accordance with Maryland Annotated Code, Real Property Article 3-603(a), Tax-Property Article 12-108(a) and 13-207(a)(1), and Courts and Judicial Proceedings Article 13-604(c)(1).

Lenders are responsible for funding the Down Payment Assistance loans and Grants at closing. The Community Development Administration will reimburse the lender in the month following the MMP loan purchase according to the published schedule. Email notification is sent to the Administrative Contact of record prior to the funds being wired.

6.9 PARTNER MATCH PROGRAMS

Partner Match Programs offer additional down payment and/or closing cost assistance for qualified borrowers utilizing a Maryland Mortgage Program (MMP) loan.

A. Participating partners provide this assistance to borrowers who meet the criteria established by the partner.

B. MMP matches the funds dollar-for-dollar up to a maximum of $2,500 in the form of a 0% deferred loan which is repayable when the home is sold or transferred, or when the first mortgage is paid off or refinanced.

C. Partner Match funds may be combined with MMP down payment funds or layered with assistance from other non-MMP programs or jurisdictions (unless the fact sheet restricts that).

D. Partners establish the eligibility criteria and terms for their contribution, which can be a loan or a grant.

E. A list of partners and information about each program can be found on the Maryland Mortgage Program website: MMP Partner Match Programs

- HOUSE KEYS 4 EMPLOYEES (HK4E). Partners are participating employers.
- SMART KEYS 4 EMPLOYEES (SK4E) PROGRAMS. An add-on for HK4E loans, it allows a $1,000 additional amount from MMP, under the same terms, for borrowers purchasing in a Priority Funding Area and within 10 miles or in the same jurisdiction of their employment.
- BUILDER/DEVELOPER INCENTIVE PROGRAM (BDIP). Partners are participating

builders and/or developers.

- COMMUNITY PARTNERS INCENTIVE PROGRAM (CPIP). Partners are participating community organizations, not-for-profits, and government entities.

F. Eligible Maryland State employees may get the maximum partner match benefit of $2,500, in the same terms. State employees do not submit a Verification of Partner Contribution; the POSC paystub serves in place of that.

1. Employees receive employment compensation through the Maryland POSC payroll system.
2. Quasi- and independent agencies of the State of Maryland are not considered Maryland state employers under this program. They can sign up separately as employers but must provide the employer contribution.
3. Education systems that do not utilize the Maryland POSC payroll system do not qualify as Maryland state employers under this program. They can sign up separately as employers but must provide the employer contribution.

6.10 PARTNER MATCH PROGRAM UTILIZATION

A. Partner must sign up using the Participation Agreement forms. These are found on the website with the partner listing for each of the Partner Match programs.

MMP Partner Match Programs

B. Borrower and Partner complete the Verification of Partner Contribution form (unless the borrower is requesting State of Maryland HK4E per Section 6.9 E. above) and submit it to the Lender. Verification forms are available on the Loan Documentation page under Second Mortgage Pre-Closing: Documents That Are Sometimes Required.

C. Partner must provide contribution at closing for MMP Partner Match funds to be utilized.

6.11 DPA/PARTNER MATCH MORTGAGE TERM

Same as MMP first mortgage.

NOTE: Please refer to each fact sheet specific to each of the MMP products for additional underwriting criteria.

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.

6.12 INTEREST RATE

The interest rate is currently 0% per annum.

6.13 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
7800 Harkins Road
Lanham, MD 20706

6.14 LOAN CLOSING – FEES

A. No fee may be paid to lender over and above the fees charged on the first mortgage loan.

B. 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.

6.15 GRANT ELIGIBILITY

From time to time, MMP offers one or more grant products. The grants are only available with an MMP first mortgage purchase loan. Some grants have specific income restrictions, and some can be layered with other assistance products; see product fact sheets for specifics.

Product fact sheets are available here: MMP Program Fact Sheets

SECTION 7 – 97% LTV CONVENTIONAL REFINANCE PROGRAM

7.1 PURPOSE

MMP offers a product called the 97% LTV Conventional Refinance Program. The 97% LTV Conventional Refinance Program provides a 30-year fully amortized, limited cash-out refinance loan.

NOTE: Please refer to each fact sheet specific to each of the MMP products for complete underwriting criteria. Lenders should follow the respective guidelines of MMP, US Bank, MIs and GSEs.

A. LTV and CLTV

The maximum LTV cannot exceed 97% for an automated underwritten loan or 95% for a manual underwritten loan with or without the upfront mortgage insurance premium financed in the mortgage; the maximum CLTV cannot exceed 105% with all second mortgages. The maximum CLTV is subject to limitations of the mortgage insurer.

B. Appraised Value may not exceed Program Maximum Purchase Price.

C. This Program follows all guidelines of the Regular Maryland Mortgage Program.

D. Down Payment Assistance

- Not available for refinances.

E. Closing Costs

- May be included in the refinance subject to LTV/CLTV limitations.

7.2 SUBORDINATE LIENS

A. Must meet Fannie Mae's and Freddie Mac's guidelines for "Community Seconds".

B. Existing DPA/Partner Match Program loans may be subordinated (must meet HFA Preferred/Advantage and mortgage insurer CLTV requirements) and will retain 0% deferred term.

C. Procedure for subordination of existing DPA can be found at MMP DPA Subordination Procedure on the MMP website.

7.3 CASH OUT

A. No cashback allowed.

B. Any excess funds must be applied as principal curtailment.

SECTION 8 – RECAPTURE TAX REIMBURSEMENT

8.1 PURPOSE

Federal law provides for a possible Recapture Tax when some homeowners sell their home within the first nine years after receiving a mortgage financed by proceeds of tax-exempt bonds issued by CDA through its Maryland Mortgage Program (MMP). In order to alleviate the confusion and worry about having to pay a recapture tax when the home is sold, CDA agrees to reimburse any CDA homebuyer who settles on their home on or after July 1, 2005, the amount of any recapture tax that the CDA homebuyer pays in connection with the sale of the home, if the mortgage was financed by CDA with tax-exempt bonds issued through the MMP.

8.2 PROCESS

A. CDA will not calculate the recapture amount. Upon sale or disposition of the residence, the Borrower(s) must consult a personal tax adviser or the IRS.

B. Please contact CDA by e-mail at singlefamilyhousing.dhcd@maryland.gov if you think you owe recapture tax, to confirm this Notice is applicable to your loan.

C. If the borrower(s) has already paid recapture tax, they must send a written request for reimbursement to CDA, by July 15th of the calendar year after the residence is sold, accompanied by the following:

   1. A copy of the signed Final Closing Disclosure from the sale or disposition of the property.

   2. Copies of the Borrower(s) filed tax returns or tax transcripts validating payment of the Recapture Tax.

   3. A completed IRS Form W-9 (IRS Form W-9).

   4. The address to which the reimbursement should be mailed.

   5. Any other documentation CDA may need to approve the reimbursement.

   6. Submit requests for reimbursement to:

      Maryland DHCD

      Attn: CDA Single Family - Recapture Tax Reimbursement
      7800 Harkins Rd., 3rd Floor

      Lanham, MD 20706

D. CDA will not act on the request for reimbursement until all of the listed items above are received.

E. CDA will only reimburse the Recapture Amount actually paid, and will not reimburse fees, interest, expenses, or penalties incurred.

F. Be advised to comply with Federal tax reporting requirements, the State of Maryland may issue an IRS Form 1099 so the amount of any recapture tax that CDA reimburses to the borrower can be reported to the IRS as income.

SECTION 9 – MARYLAND HOME CREDIT PROGRAM

Note: New mortgage credit certificates are not currently being offered. Existing certificates may be re-issued for eligible refinance transactions. See Section 9.7 below.

9.1 PURPOSE

The objective of the Maryland Home Credit Program (the "MHCP") is to provide homeownership opportunities to eligible low to moderate income homebuyers in the State of Maryland. The Community Development Administration ("CDA") accomplishes this objective by issuing Mortgage Credit Certificates ("MCCs") to eligible mortgagors who may use the MCCs to claim a credit on their federal tax returns for a portion of the interest they pay on mortgage loans to finance the purchase of a principal residence. The tax credit percentage is 25% of the interest paid on the mortgage each year up to a maximum $2000 credit per year – this is a dollar-for-dollar reduction against the borrower's federal tax liability. The remaining portion of the mortgage interest may continue to qualify as an itemized deduction. The annual amount the borrower receives will change as the mortgage loan amount decreases, but the tax credit percentage never changes. The mortgage loans in the MHCP are made by the Lenders independently of CDA or in conjunction with one or more of CDA's mortgage loan programs. Mortgage loans cannot be made with the proceeds of tax-exempt qualified mortgage bonds or qualified veteran's mortgage bonds issued by CDA or any other entity. CDA does not give tax advice; Borrowers needing this assistance should consult a tax professional.

This program is offered pursuant to Title 2, Subtitle 4 of the Housing and Community Development Article of the Maryland Annotated Code (“the Act”). It is further governed by Program regulations contained in COMAR 05.03.02, as amended. All loans will be made in conformance with the Act, Program regulations, applicable federal tax law, and Community Development Administration (CDA) bond documents. MCC will be issued only in conformance with the ACT, Program Documents, and applicable federal tax law.

The lender agrees in the Mortgage Credit Certificate Agreement, of which this manual is a part, to comply with the requirements set forth in this manual. CDA must rely upon all participating lenders to comply with the requirements when making mortgage loans to be purchased by U.S. Bank, the Master Servicer.

The link to the Maryland Home Credit (MCC) Fact Sheet is:

MCC Fact Sheet

9.2 ELIGIBILITY / DOCUMENTATION

Eligibility requirements for borrowers and properties in the MHCP align with requirements for CDA's Maryland Mortgage Program ("MMP") and many of the documents to be used in connection with the MHCP are the same as for MMP loans.

9.3 MORTGAGE CREDIT CERTIFICATE

The Certificate Credit Rate is 25%. This entitles the borrower to claim up to 25% of the interest paid during the year on a mortgage loan up to a maximum of $2,000.00 as a dollar-for-dollar reduction against the borrower annual federal tax liability.

9.4 MCC-ONLY – NON-MMP FIRST MORTGAGE

Borrowers have the option of taking the MCC-ONLY. The lender sets the interest rate, may charge points and the first mortgage is a NON-MMP Product. There is no DPA available. The loan is not sold to US BANK. Other MMP or agency/insurer requirements still apply, including:

- first-time homebuyer,
- not owning other property,
- principal residence, and
- income and purchase price limits

Minimum Credit Score of 640 is required.

Debt to Income Ratio – 45.00%. However, exceptions may be considered for Debt-to-Income ratios between 45.01% to 50.00% on a limited basis.

Recapture Tax – The Department WILL NOT reimburse the borrower for any Recapture Tax.

Loan Approvals - Transactions must still be approved through CDA pre-closing and post-closing compliance.

Homebuyer Education - Homebuyer education is not required but is still encouraged.

9.5 MCC FEE SCHEDULE

See the MCC Fact Sheet for the current fees for MCC, MCC-ONLY and MCC refinanced transactions.

9.6 ISSUANCE OF MORTGAGE CREDIT CERTIFICATE

The MCC certificate is provided in the Closing Package when it is downloaded from Lender Online after pre-closing compliance approval.

9.7 RE-ISSUANCE OF AN EXISTING MCC

Borrowers who are refinancing a loan with an existing MCC can have the MCC reissued, even if they are refinancing into a non-MMP loan product. The refinance and reissue must be done with an MMP lender approved to offer MCCs.

Additional instructions on the process and steps needed to register and submit MCC Reissue's for both MMP refinances and Non-MMP refinances can be found on our website at MCC-REISSUE.

The following applies to reissue transactions:

- Refinance with an MMP refinance loan: Use the regular first mortgage checklists (CC and EE).
- Refinance with a non-MMP refinance loan: Use MCC-Reissue checklists (JJ and KK).

9.8 REPORTING AND RECORDKEEPING REQUIREMENTS

A. Lender Reporting Requirements

Any Lender that makes a mortgage loan in conjunction with the MHCP and provides a certified indebtedness amount must submit file IRS Form 8329, annually, on or before January 31 of the year following the calendar year to which the report relates.

A separate Form 8329 shall be filed for each issue of MCC with respect to which the Lender made mortgage loans during the preceding calendar year.

A copy of Form 8329 must be submitted to CDA.

As a courtesy only, for MCCs issued with an MMP first mortgage loan, CDA will provide a list of the year's loans for use in filing the 8329. It is the lender's responsibility to verify the accuracy of the list before filing.

B. Failure to File

Failure to file Form 8329 could result in penalties imposed by the IRS.

C. Lender Recordkeeping Requirements

Lenders must retain certain information in their books and records for 6 years following the year in which the loan was made.

With respect to each loan, Lenders must retain the following information:

- Name, address, and TIN of each holder of a qualified MCC with respect to which a loan is made.
- Name, address, and TIN (526002033) of CDA; and
- The date the loan for the certified indebtedness amount is closed, the certified indebtedness amount, and the Certificate Credit Rate of the MCC.

9.9 CDA REPORTING REQUIRMENTS

CDA shall file quarterly reports with the IRS on Form 8330 and annual reports of mortgagor income and targeted area loans as required by Treas. Reg.