



DEPARTMENT OF HOUSING
AND COMMUNITY DEVELOPMENT

Kenneth C. Holt, Secretary

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MARYLAND MORTGAGE

Making Homeownership Affordable

Maryland SmartBuy 3.0

*Maryland Mortgage Program
financing for homebuyers with
student debt*

January 10, 2022



PURPOSE

- Designed to assist eligible homebuyers with student debt to purchase homes and to manage overall housing expenses.
- Interest rate for the first mortgage is the same as the conventional insured mortgage interest rate offered under the Maryland Mortgage Program. The SmartBuy rate is posted on our rate sheet online: <https://mmp.maryland.gov/Lenders/Pages/Interest-Rates.aspx>

SMARTBUY 3.0 OVERVIEW

- Any MMP-eligible property statewide
- Cap of \$30,000 on student debt payoff
- Lender funds all loans and gets reimbursed for both the unsecured second loan and the optional DPA loan the same way as regular MMP DPA loans

PRODUCT STRUCTURE

--Two Loans (one secured, one unsecured)

- 1st Loan: A conventional amortizing **mortgage** of 95% of the sales price. This is a normal MMP loan.
- 2nd Loan: A **forgivable loan** up to 15% of the purchase price, which will be used to pay off the student debt. This is a 0% deferred loan with no payments, forgivable over 5 years at 20% per year. The balance becomes due upon sale or refinance (unless subordinated). This is an unsecured loan with a Promissory Note to the Community Development Administration (CDA).

OPTIONAL 3RD LOAN (SECURED) FOR CLOSING COSTS OR DOWNPAYMENT

- \$5,000 in Down Payment Assistance (DPA) in a zero percent deferred **mortgage**, second lien position
- Borrower must bring a minimum of 5% of the sales price to closing as down payment. The DPA loan can be used for this purpose.

GENERAL PROGRAM ELIGIBILITY

- Borrowers may be single or married. If married, both spouses are not required to apply, but will be included in the household income calculation.
- Must intend to occupy the property as the principal residence within 60 days of closing.
- Cannot own any other real property **ANYWHERE** at the time of closing.

GENERAL PROGRAM ELIGIBILITY

- Must be a first-time homebuyer or qualify for an exception by:
 - Not having owned a residence for three years;
 - Purchasing in a targeted area; OR
 - Being a veteran using their exemption for the first time.
- All customary underwriting standards and requirements related to student debt apply and will be used to qualify the homebuyers. All usual MMP standards must be met, i.e. credit score, income and purchase price limits, asset limits, etc.

SMARTBUY 3.0 ELIGIBILITY

- Maximum Combined Loan-to-Value is 105% (normal conventional loan)
- 720 Middle Credit Score
- As always, loan must meet the requirements of the master servicer and insurer.

BORROWER STUDENT DEBT ELIGIBILITY

- Eligible borrower student debt must be greater than \$1,000 and up to 15% of the purchase price
- Outstanding balance of all existing student loans **for at least one borrower** must be paid off fully at closing (no partial loan payments)
- If it can be done within the maximum loan amount, the full debt for both borrowers can be paid off.
- A borrower may pay down their student debt to reach an eligible amount

ELIGIBLE EDUCATIONAL INSTITUTIONS

- Borrower student debt must be for an eligible educational institution (any accredited public, nonprofit, or proprietary college, university, vocational school, or other postsecondary educational institution) in the United States that is eligible to participate in a student aid program administered by the U.S. Department of Education

ELIGIBLE STUDENT DEBT LOANS

- Student debt loan must be documented in a monthly statement or verification from the student loan lender/servicer (no personal loans) who initially made the loan: school, bank, credit union, or other banking institution in the United States, or the U.S. Department of Education
- Loan must be in the name of the borrower for the borrower's education (not borrower's children, family etc.)
- Loan must be current; it may be in repayment or deferred status

LENDER ONLINE CODES

- The Program Code Guide is here:
- <https://mmp.maryland.gov/Lenders/Documents/CDAPROGRAMCODEGUIDE.pdf>

LENDER ONLINE SUBMISSION

The reservation process is mostly the same as any other MMP loan, but when the SB3 program code is selected, it automatically selects the unsecured second loan. The third loan (which is secured, so it's a second mortgage) is optional and must be reserved.

Continue Without Additional Mortgage(s)

Additional Mortgage Program(s)

Available Second MORTGAGE Mortgage Programs

- 696- MD SMRTBUY3.0 2ND ASSIST - 928 - MD SMARTBUY 3.0 PROMISSORY NOTE (REQUIRED FOR THIS PROGRAM)**

Available Third MORTGAGE Mortgage Programs

- 697-MD SMARTBUY 3.0 DPA - 929 - MD SMARTBUY 3.0 - DPA**

Continue With Additional Mortgage(s)

LENDER ONLINE SUBMISSION

Although Lender Online calls the SmartBuy second loan a MORTGAGE, it is not. It is a loan with a Promissory Note. The true second mortgage is the \$5,000 DPA which is shown in Lender Online as the THIRD mortgage.

New Reservation Form  Show Help  Hide Help  Import 1003

FIRST MORTGAGE

Program: 868- MD SMRTBUY >80% AMI (DU) - 788 - MD SMARTBUY 3.0 CONV >80% AMI (DU)

*Loan Type: *Loan Amount: *Term:

Estimated Monthly Escrow: Subordinate Financing: DO/DU Case File #:

Is a Quick Close Loan? *Sale Contract Date

SECOND MORTGAGE

Program: 696- MD SMRTBUY 3.0 2ND ASSIST - 928 - MD SMARTBUY 3.0 PROMISSORY NOTE

Loan Type: *Loan Amount: Term: n

*Sub-program:

THIRD MORTGAGE

Program: 697-MD SMARTBUY 3.0 DPA - 929 - MD SMARTBUY 3.0 - DPA

Loan Type: *Loan Amount: Term: months

Sub-program:

BORROWER



UNDERWRITING

- Lender underwriting for the SmartBuy product will follow the FNMA, MMP and USB guidelines for conventional loans.
- Insured by FNMA (HFA Preferred) or Freddie Mac (HFA Advantage) at the Conventional Rate (>80% AMI or <80% AMI, whichever applies)

LENDER ONLINE SUBMISSION

- Pre-closing disclosures and payoffs are reviewed to ensure that the student debt will be paid in full at closing.
 - Lender should reach out to US BANK, FNMA and the MIs for direction on how to reflect the funds from the promissory note on the application. The AUS may require specific data elements for a forgivable promissory note in order to provide an accurate response. Because each lender's origination systems are different, MMP does not take a position on where items are placed on the application.

LENDER ONLINE SUBMISSION

- Post-closing documentation for the 2nd and 3rd loans must both be submitted together in the 2nd lien upload.
- The post-closing guidelines are the same as usual except the Promissory Note for the unsecured loan doesn't get recorded. It still gets sent to US Bank.

HOMEBUYER EDUCATION

- If the SmartBuy 3.0 loans are Fannie Mae, the mandatory homebuyer education must be approved by HUD or NIS.
- If funds from another source are used, those guidelines must also be met.
- <http://mmp.maryland.gov/Pages/Homebuyer-Education-Classes.aspx>

SMARTBUY LENDERS

- Participation in the Maryland SmartBuy is limited to specifically approved lenders. This is requested by the **Admin Contact**. (Additional hard copy agreements are not required.)
- Approved lenders may designate a specific contact for SmartBuy, or choose to just have their logo, which leads to their usual branch contact info. The **Admin Contact** emails this confirmation to:
singlefamilyhousing.dhcd@maryland.gov
- Approved SmartBuy lenders are listed here:
<http://mmp.maryland.gov/Pages/SmartBuy/Lenders.aspx>

MARYLAND SMARTBUY WEB PAGE:

<http://maryland.gov/Pages/SmartBuy/default.aspx>

MARYLAND SMARTBUY QUESTIONS:

Karl Metzgar

301-429-7826

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General Program Questions:

301-419-7852

SingleFamilyHousing.dhcd@maryland.gov

***Most of the MMP team teleworks full-time,
and email is preferred!***