Maryland SmartBuy

Financing for Homebuyers With Student Debt
Maryland SmartBuy

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 Premier.
**SmartBuy 1.0**
- Only for DHCD-owned properties (REO)
- No cap on the 15% forgivable second loan
- Seller is DHCD, and second loan gets netted out of proceeds (lender doesn’t fund)

**SmartBuy 2.0**
- Any MMP-eligible property statewide
- Cap of $40,000 on the 15% forgivable second loan
- External seller, so lender funds all loans and gets reimbursed through normal channels

Start Date: 11/2016
Start Date: 8/6/2018
• **Borrower(s) must be a first-time homebuyer or qualify for an exception by**
  - 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.**
Borrower Student Debt Eligibility

• Combined borrower student debt must be greater than $1,000 and up to 15% of the home purchase price; outstanding balance (of all existing student loans for at least one borrower) must be paid off fully at closing.

• 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.
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) 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 by 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, or the U.S. Department of Education
TWO MORTGAGES

• **1\textsuperscript{st} Mortgage**: A conventional amortizing mortgage of 95% of the sales price. This will be handled as a normal MMP loan (serviced by US Bank).

• **2\textsuperscript{nd} Mortgage**: A forgivable loan of 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.
OPTIONAL 3RD MORTGAGE FOR CLOSING COSTS OR DOWN PAYMENT*

- $5,000 in Down Payment Assistance (DPA) in a zero percent deferred loan, third lien position
- Funded by lender at closing—same process as for current Down Payment Assistance for funding and reimbursement

*Borrower must bring a minimum of 5% of the sales price to closing as down payment. The DPA third lien can be used for this purpose.
This special transaction structure is ONLY available with MD SmartBuy and cannot be used in conjunction with other MMP products, refinances, or initiatives.

Maryland HomeCredit Program (MCCs) cannot be used with MD SmartBuy.
• Borrowers may utilize other funds only if they come in the form of GRANTS from third parties (employers, non-profits, counties, agencies etc.)
  – No Partner Match funds are available from CDA
1st Mortgage:
Bond series: 960 MD SMARTBUY- CONV
Program code: 411- MD SMARTBUY CONV

2nd Mortgage:
Bond series: 992 MD SMARTBUY- FORGIVE
Program code: 924-MD SMARTBUY FORGIVABLE LOAN
Sub-program code: 940-MD SMARTBUY FORGIVABLE LOAN

3rd Mortgage (DPA):
Bond series 995 MD SMARTBUY-3RD MTG
Program code: 925-MD SMARTBUY 3RD LOAN
Sub-program code: 947-MD SMARTBUY DSELP ONLY

1st Mortgage:
Bond Series: 964 - MD SMARTBUY 2.0
Program Code: 413 - MD SMARTBUY 2.0 CONV

2nd Mortgage:
Bond Series: 993 - MD SMARTBUY 2.0 FORGIV
Program Code: 926 - MD SMARTBUY 2.0 FORGIVABLE 2ND
Sub-Program Code: 941 - MD SMARTBUY 2.0 FORGIVABLE LOAN

3rd Mortgage (DPA):
Bond Series: 996 - MD SMARTBUY 2.0 3RD/DPA
Program Code: 927 - MD SMARTBUY 2.0 DPA
Sub-Program Code: 946 - MD SMARTBUY 2.0 DPA LOAN
Lender Online Submission

• Documentation for 2nd and 3rd liens must both be submitted together in the 2nd lien upload.

• Post-Closing documentation must include the final student debt statement showing that the student debt balance for at least one borrower has been brought to zero.
• Maximum Combined Loan-to-Value is 120%

• **MANUAL UNDERWRITING ONLY!** *This mandates additional restrictions—read the fact sheet for DTI, reserves, etc.*

• 680 Middle Credit Score

• 741 Special Feature Code must be marked on the 1008. All the other FNMA codes customary for a conventional loan still apply (180, 211, 118, etc.)
MI Underwriting

• Mortgage Insurer will perform a full underwriting review
• The underwriting of the SmartBuy files by the originating lenders will follow the FNMA, MMP and USB’s guidelines for loans with LTV at or below 95%
Mortgage Insurance

• Insured by FNMA at HFA Preferred conventional rate

• Participating MI providers are:
  • Genworth
  • Radian
Homebuyer Education

• As with all MMP loans, the class must be approved and provided by HUD, private mortgage insurers, Fannie Mae, or Freddie Mac, including online classes. If receiving grant funds from an external source, their guidelines must be followed.

• [hyperlink](http://mmp.maryland.gov/Pages/Homebuyer-Education-Classes.aspx)
Homebuyer Education

Homebuyer education, sometimes called housing or pre-purchase counselling, helps homebuyers prepare for the journey of purchasing a home and the many new challenges of being a homeowner.

For some Maryland Mortgage Program loans, completing homebuyer education or counselling is a requirement. In some jurisdictions, specific course providers or course types must be completed to meet full eligibility for a Maryland Mortgage Program loan.
An agency that lists another language has counselors who can answer questions—it may not offer a class in that language!
Participation in Maryland SmartBuy is limited to specifically approved lenders. (*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.

Lenders are listed here: http://mmp.maryland.gov/Pages/SmartBuy/Lenders.aspx
Maryland SmartBuy Web Page:

http://mmp.maryland.gov/Pages/SmartBuy/default.aspx
Maryland SmartBuy Questions:
• Karl Metzgar 301-429-7826

General Program Questions:
• 301-429-7852

Email Questions:
• SingleFamilyHousing.dhcd@maryland.gov