



## FACT SHEET: MARYLAND SMARTBUY 3.0

### Affordable homeownership for buyers with student debt

#### PURPOSE

Maryland SmartBuy 3.0 enables qualified borrowers with student debt to purchase a program-eligible home in Maryland using conventional financing through the Maryland Mortgage Program (MMP), administered by the Community Development Administration (CDA). This program was created to help homebuyers manage housing purchase costs while also eliminating eligible student loan debt at the time of home purchase. Borrowers must have existing student debt with a minimum balance of \$1,000 and up to a maximum of 15% of the home purchase price, not to exceed \$25,000. The full outstanding student debt balance for at least one borrower must be completely paid off at closing; partial payoff of student debt is not permitted under this program. If both borrowers have eligible student debt that can be fully paid off within program limits, both balances may be paid in full.

#### FIRST MORTGAGE

The SmartBuy 3.0 first mortgage is a 30-year conventional amortizing mortgage loan financing up to 97% of the home purchase price. The first mortgage is pooled into a Fannie Mae or Freddie Mac Mortgage Backed Securities (MBS) structure. The mortgage must comply with all Maryland Mortgage Program requirements, as well as underwriting guidelines established by US Bank, Fannie Mae, Freddie Mac, and approved private mortgage insurers.

#### SMARTBUY STUDENT DEBT ASSISTANCE

The SmartBuy assistance component consists of a 0% interest deferred Promissory Note of up to 15% of the home purchase price, not to exceed \$25,000. This assistance is not secured by a lien on the property and is used exclusively to pay off eligible student loan debt at the time of closing. The student debt must belong to the borrower and must have been used for the borrower's education.

The Promissory Note is forgivable over a five-year period at a rate of 20% per year on each anniversary date. No monthly payments are required during the five-year term. If the property is sold before the five-year forgiveness period ends, the remaining unforgiven balance must be repaid upon sale.

The lender funds the Promissory Note upfront at closing, in the same manner as standard MMP Down Payment Assistance loans, and CDA reimburses the lender after closing according to established reimbursement procedures.

#### DOWN PAYMENT & CLOSING COST ASSISTANCE (DPA)

Borrowers may also utilize standard Maryland Mortgage Program Down Payment Assistance loans with SmartBuy 3.0. Two DPA options are available: a flat \$6,000 DPA loan or a DPA loan equal to 6% of the first mortgage amount. The 6% DPA option is available only to borrowers earning 50% or less of Area Median Income (AMI).

These DPA loans are 0% deferred second mortgages due upon sale, payoff, transfer, or refinance of the first mortgage. As with other MMP assistance products, the lender advances the DPA funds at closing and CDA reimburses the lender through the standard reimbursement process. Partner Match funds are not available under the SmartBuy 3.0 program.

**DOWN PAYMENT REQUIREMENTS**

Borrowers are responsible for any minimum down payment contribution required by the insurer, private mortgage insurer (PMI), or US Bank. Available DPA assistance may be used toward satisfying these requirements.

**PRIVATE MORTGAGE INSURANCE (PMI)**

Approved mortgage insurers are listed on the Maryland Mortgage Program website. Fannie Mae loans must utilize HFA Preferred mortgage insurance products, while Freddie Mac loans must utilize HFA Advantage products. All PMI requirements established by the insurer and investor must be satisfied.

**COMBINED LOAN-TO-VALUE (CLTV)**

The maximum Combined Loan-to-Value ratio is 105%, based on the home purchase price as determined by market value and appraisal guidelines established by Fannie Mae. The unsecured SmartBuy student debt assistance Promissory Note is not included in the CLTV calculation.

**ELIGIBLE BORROWERS**

Eligible borrowers must meet all Maryland Mortgage Program underwriting requirements, including credit score, debt-to-income ratio, income limitations, purchase price limits, and asset requirements. Borrowers must also meet SmartBuy-specific eligibility standards related to student loan debt.

Borrowers must have a minimum remaining student loan balance of \$1,000, with a maximum eligible payoff amount equal to 15% of the home purchase price or \$25,000, whichever is lower. The student loan must be identifiable as education-related debt, must appear on the borrower's credit report, and may be in repayment or deferred status.

Eligible educational institutions include accredited public, nonprofit, or proprietary colleges, universities, vocational schools, or other postsecondary educational institutions eligible to participate in federal student aid programs administered by the U.S. Department of Education.

Borrowers must provide a monthly statement or verification from the student loan lender or servicer documenting the outstanding debt balance. Personal loans from private individuals are not eligible. Borrowers must also be current on their student loan obligations at the time of SmartBuy reservation and closing.

The entire outstanding balance of the eligible student debt must be paid off at closing and reflected on the Closing Disclosure. Post-closing documentation must confirm that the borrower's eligible student debt balance has been reduced to zero.

**HOMEBUYER EDUCATION REQUIREMENTS**

As with all Maryland Mortgage Program purchase loans, SmartBuy 3.0 borrowers are required to complete a Homebuyer Education course prior to closing. The education course must satisfy Maryland Mortgage Program requirements and be completed through an approved provider.

**ELIGIBLE PROPERTIES**

Any property located within the state of Maryland that is eligible under the Maryland Mortgage Program may be financed through SmartBuy 3.0. Borrowers should refer to the Maryland Mortgage Program Standard 30-Year Purchase Program fact sheet for additional property eligibility requirements. DHCD REO properties are not eligible under this program.

**FIRST-TIME HOMEBUYER REQUIREMENTS**

Maryland Mortgage Program loans are generally limited to first-time homebuyers; however, this requirement may be waived if the borrower is purchasing in a designated targeted area, has not owned a principal residence within the previous three years, or is an honorably discharged veteran utilizing the veteran exemption benefit.

Regardless of whether the first-time homebuyer requirement is waived, borrowers may not own any other real property at the time of closing.

**PARTNER MATCH PROGRAM**

The Partner Match Program is not available with SmartBuy 3.0. However, borrowers may still combine this product with other forms of assistance provided by employers, builders, developers, nonprofit organizations, or similar entities, provided all Maryland Mortgage Program, investor, and underwriting requirements are met and the maximum CLTV is not exceeded.

**SPECIAL REFINANCING SITUATIONS**

If a borrower refinances the SmartBuy first mortgage in the future for the purpose of reducing the interest rate, the existing SmartBuy Promissory Note may remain in place and continue forgiveness according to the original five-year schedule, provided CDA or US Bank is notified.

If the property is sold during the five-year forgiveness period, any remaining unforgiven balance of the Promissory Note must be repaid. Additionally, any DPA second mortgage must be repaid if the first mortgage is refinanced outside of the Maryland Mortgage Program. If the refinance occurs through an approved Maryland Mortgage Program refinance product, subordination of the DPA second mortgage may be permitted upon CDA approval.

**UNDERWRITING REQUIREMENTS**

All underwriting overlays established by US Bank, Fannie Mae, Freddie Mac, and approved mortgage insurers apply to SmartBuy 3.0 loans. Both Automated Underwriting System (AUS) and manual underwriting are permitted.

The minimum required middle credit score for SmartBuy 3.0 is 720. Loans above and below 80% AMI are permitted, although only borrowers earning at or below 50% AMI may utilize the 6% DPA option.

All other Maryland Mortgage Program rules and requirements apply unless specifically modified within the SmartBuy 3.0 guidelines

Disclaimer: The terms and conditions of SmartBuy 3.0 are subject to change until a borrower qualifies for the loan and locks in the interest rate. Borrowers should contact an approved Maryland Mortgage Program lender for complete program details and eligibility requirements. The Maryland Department of Housing & Community Development makes no promises, representations, or warranties regarding the specific financial benefit a SmartBuy loan may provide to an individual borrower. Borrowers are encouraged to consult with financial advisors, attorneys, or housing counselors before entering into any loan transaction.

For more information, please visit:

**[mmp.maryland.gov](http://mmp.maryland.gov) or call 1-800-756-0119**