

MARYLAND MORTGAGE PROGRAM

ASSET GUIDELINES



This information is excerpted from the Compliance Manual found at <https://mmp.maryland.gov/Lenders/Pages/Compliance.aspx>

2.9 ASSETS

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 requirements of the insurer/guarantor is acceptable under the Program.

B. Asset Test Procedure

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 to CDA for review regardless of a Pass or Fail result.** CDA then reviews the worksheet and will either approve, deny or consider an exception as noted in Section E below.

A "Gift of Equity" is defined as the difference between the loan amount and the appraised value in a "non-arm's length" transaction (i.e., parent to child, employer to employee). Borrowers with liquid assets equal to 20% or more of the sales 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 emailing Single Family Housing at singlefamilyhousing.dhcd@maryland.gov. The Lender will verify **all** assets (see below) for each Borrower by obtaining written Verifications of Deposit or alternative documentation (one month's most recent bank statement for each account as of the date of **reservation**) and listing them on the Fannie Mae Form 1003/Freddie Mac Form 65 Loan Application.

The Asset Test Worksheet will indicate if the loan application is eligible or an exception has been pre-approved by CDA or fails. The Worksheet must be completed, signed and dated by the Lender's authorized representative (may be the 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: appraisal, credit report, home inspection and deposit on property);
2. Savings accounts;
3. Checking accounts;

4. Certificates of deposit;
5. The total balance of any joint accounts;
6. Money market or mutual fund accounts;
7. In trust for accounts (amount accessible);
8. Chapter S corporate bank accounts (where borrower is an owner of the Chapter S corporation)
9. Any other bank accounts;
10. Any stocks or bonds;
11. Funds from gift letters;
12. 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;
13. Amount used or borrowed from a life insurance policy, IRA or 401K (less penalty); and
14. Gifts of equity (per paragraph B above; the appraised value is listed on line 1 of the Asset Test Worksheet).

D. 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).

E. 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; and
3. the interest or dividend earnings on the assets equal at least 50 percent of the total household income.