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June 20, 2006

Directive 2006-11

MEMORANDUM: ALL PARTICIPATING LENDERS

SUBJECT: Taxable Bond Program - "Lifeline" Refinancing Mortgage Program

The purpose of this Directive is to advise you of the Community Development Administration's (CDA) plans to implement a new taxable bond product called the "Lifeline" Refinancing Mortgage Program. This Directive will be uploaded to our website (under [Just for Lenders/Single Family Housing Directives](#)) and also to Lender On-Line (under [Program Documents/Single Family Housing Directives](#)). CDA has initially set aside \$20 million for this initiative.

The "Lifeline" Refinancing Mortgage Program allows CDA to offer refinancing options to Marylanders who may be facing financial difficulties after purchasing homes with "exotic" mortgages. An "exotic" mortgage is defined as any type of adjustable rate mortgage (ARM), balloon payment loan, or negative amortization loan. Reservations for this new program will be accepted on or after the implementation date of June 30, 2006. To ensure that only those homeowners in need receive assistance, the program will require that the borrower's combined loan-to-value ratio (*first mortgage plus all other loans that are liens against the property*) be 85% or greater. Under the program, a variety of two-point mortgage products will be available. Although the borrower does not have to be a first-time homebuyer, all the other MMP compliance requirements, such as income limits, house price limits (current appraised value must not exceed current MMP house price limits), mortgage insurance coverage, etc., must be met. Enclosed is a Fact Sheet for this program. Lenders who want to originate loans under the "Lifeline" Refinancing Mortgage Program will be required to execute an addendum to the mortgage purchase agreement (to be sent under separate cover).

As always, we appreciate your continued participation in CDA's programs. If you have any questions concerning this Directive or suggestions for improving our Program, please contact me directly at (410) 514-7508 or 1-800-638-7781 or by e-mail at manahan@mdhousing.org.

Sincerely,

William J. Manahan

William J. Manahan
Senior Manager
Single Family Housing

Enclosures: Fact Sheet

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Fact Sheet – “Lifeline” Refinancing Mortgage Program
Effective June 30, 2006

Overall Eligibility	<ul style="list-style-type: none"> • Borrower must currently have a first mortgage that is considered an “Exotic Mortgage” (defined as any type of adjustable rate mortgage (ARM), balloon payment loan, or negative amortization loan) • The current combined loan-to-value ratio (<i>first mortgage plus all other loans</i> that are liens against the property) must be 85% or greater. The LTV is to be calculated by dividing the Existing Combined Mortgage Debt by the Current Appraised Value. • All mortgage loans that are liens against the property must be refinanced. • The property must be the borrower’s primary residence. 		
Income Limits	Same as current MMP requirements.		
Purchase Price Limits	Current appraised value must not exceed MMP Maximum Purchase Price limits.		
Mortgage Products Offered	All products (30 & 40 year amortizing) and all interest-only products (7/23, 5/30, & 7/33).		
Points Options Offered	2-points		
Interest Rates as of 6/30/06 <i>subject to change</i>	30 year amortizing	Interest-Only 7/23, 5/30, and 7/33	40 year amortizing
	6.50%	6.50%	6.625%
Downpayment and Closing Cost Assistance	Not available.		
Closing Costs	May be rolled into the principal amount of the refinancing.		
Mortgage Insurance	Compliance with CDA’s Mortgage Insurance Policy. 35% coverage required on conventional loans.		
Processing	Same as MMP; lenders underwrite and close loans; CDA purchases mortgage from lenders.		
Underwriting Standards	Same as MMP; determined by the Mortgage Insurer or Guarantor.		
Counseling	N/A		
New Construction	N/A		
Mortgage Purchase Agreement	Lender must sign an addendum to Mortgage Purchase Agreement.		
Loan Documents	Applicable documents to be posted to website.		
Funding Availability	Initially up to \$20 million of taxable bond funds.		
Home Inspection	N/A		
Cash Out	None; any excess funds to be applied as principal curtailment.		