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April 6, 2007

Directive 2007-6

MEMORANDUM: ALL PARTICIPATING LENDERS

SUBJECT: Changes to the Program

The purpose of this Directive is to inform you of the changes that will become effective for reservations made on or after April 9, 2007 plus some miscellaneous changes that become effective immediately. This Directive and the [Lenders Manual dated 040907](#), [the Pre-Closing Compliance Checklist \(Attachment K dated 040907\)](#), [the Post-Closing Compliance and Purchase Submission \(Attachment L dated 040907\)](#), [the "Quick Close" Post-Closing Compliance and Purchase Submission \(Attachment Q dated 040907 – for approved Quick Close lenders only\)](#) and the [Repayable Grant Rider to Note \(040207\)](#) incorporate these changes and will be uploaded to our website (under *Lenders Only*) and also to Lender On-Line (under *Program Documents*).

DSELP

The maximum DSELP loan amount is decreasing from \$5,000 to \$3,500 and may only be used with Maryland Mortgage Program (MMP) first mortgage loans on homes with purchase prices of \$175,000 or less.

2% CLOSING COST GRANT

The name of the program is changing from MMP PLUS to MMP+2%. The MMP+2% Program loan can be used for any purchase price amount that is within the MMP Program limits.

- The interest rate for this program is being reduced by 1/4% from 6.625% to 6.375% for the 30 year amortizing loans and the interest-only products (the interest rate for the 40 year amortizing loans is a 1/8% more or 6.5%).

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- The grant must be repaid if the borrower sells or transfers the home or refinances their MMP loan within the first four years after the date of the closing; after four years, the grant is completely forgiven and no repayment is required.
- A new document, the Rider to the Note – Repayable Grant Agreement (040207), replaces the Closing Assistance Grant Agreement (030905). This Rider is attached to the Deed of Trust Note for the MMP first mortgage loan.

3% CLOSING COST GRANT

The name of the program will change from Live Near Your Work (LNYW) PLUS to MMP+3%. The MMP+3% Program loan can be used for any purchase price amount that is within the MMP Program limits.

- The requirement that the borrower has to purchase a home within a certain distance of their place of employment has been eliminated
- The interest rate for this program is being reduced by 1/4% from 6.75% to 6.5% for the 30 year amortizing loans and the interest-only products (the interest rate for the 40 year amortizing loans is a 1/8% more or 6.625%).
- The grant must be repaid if the borrower sells or transfers the home or refinances their MMP loan within the first four years after the date of the closing; after four years, the grant is completely forgiven and no repayment is required.
- A new document, the Rider to the Note – Repayable Grant Agreement (040207), replaces the Closing Assistance Grant Agreement (030905). This Rider is attached to the Deed of Trust Note for the MMP first mortgage loan.

SMART KEYS 4 EMPLOYEES PROGRAM (SK4E)

This is a new Smart Growth initiative that is a component of the House Keys 4 Employees Program (HK4E).

- Our match is double the participating employer's (and any accompanying) contribution up to a maximum of \$10,000.
- Home buyer must be buying within 10 miles of their place of employment (or within the same county boundary).
- The home must be located in a Priority Funding Area (PFA), regardless of the fact that the home is new or existing.
- SK4E is subject to the requirements of the regular HK4E Program and it is the lender's responsibility to determine the borrower's eligibility for this program.

LENDER PAID MORTGAGE INSURANCE (LPMI)

This is an existing product that is now available with all the interest-only products including the MMP+2% and MMP+3% programs.

MISCELLANEOUS POLICY CHANGES

- **“Like-kind” exchange of properties under Section 1031 of the Internal Revenue Code**
 - only have to be pre-approved by Single Family Housing if the intermediary or other entity is executing the deed transferring the home to the buyer

- **Repairs, other than weather-related repairs, that are not completed prior to closing**
 - if repairs are not certified as being completed prior to closing, they must be certified as completed prior to the purchase of the loan
- **If premium for first year's hazard/flood insurance is paid outside of closing (POC)**
 - if premium for first year's hazard/flood insurance coverage is POC, a paid receipt on the insurance company's letterhead is required regardless of the fact that it is or is not listed on the HUD-1 settlement sheet

REMINDERS

- **Loans with open escrows for the completion of weather-related items**
 - these loans will be purchased with the lender assuming the responsibility for assuring the work is completed after purchase
- **Principal curtailments**
 - the difference between the scheduled principal balance and the actual principal balance equals the principal curtailment of a loan and a check in this amount must be made payable to Bogman, Inc. and included in the servicing package that is submitted to Bogman, Inc. [this has been a serious deficiency in the servicing packages of some of our lenders, especially on the interest-only loans]
- **Responsibility for servicing a loan**
 - it is the lender's responsibility to fully service the loan until the loan is transferred to Bogman, Inc.
 - the servicing package is not to be transferred to Bogman, Inc. until after the lender receives the purchase advice indicating that the loan was purchased and then the loan file must be received by Bogman, Inc. no later than 16 days after the purchase date.
 - if a loan requires mortgage insurance and it is determined by the servicer that the loan did not have mortgage insurance when it was transferred to Bogman, Inc., this is not acceptable and will result in the lender being required to repurchase the loan unless they can provide the servicer with satisfactory evidence that the loan is insured.

As always, we appreciate your continued participation in MMP. 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
Assistant Director
Single Family Housing