



Martin O'Malley
GOVERNOR

Anthony G. Brown
LT. GOVERNOR

Raymond A. Skinner
SECRETARY

Clarence J. Snuggs
DEPUTY SECRETARY

November 23, 2009

Directive 2009-19

TO: ALL PARTICIPATING LENDERS

SUBJECT: CDA TO PERFORM AUDITS ON 100% OF MARYLAND MORTGAGE PROGRAM (MMP) FILE SUBMISSIONS EFFECTIVE DECEMBER 1, 2009; CHANGES TO REQUIRED DOCUMENTATION FOR FILE SUBMISSIONS;

The purpose of this Directive is to inform you that CDA will be performing audits on 100% of file submissions of all MMP loans effective December 1, 2009 and the Lender's Manual and Attachments K, L, M and Q have been updated as previously mentioned in Directive 2009-18. Please note: the instructions that were in Attachments K, L, M and Q for the individual documents have been transferred into the Lender's Manual. The most current edition of the Lender's Manual dated November 23, 2009 can be found on our Website and Lender On-line. The revised Attachments are also included with this Directive and will also be uploaded to the Website and Lender On-line.

In addition to an updated Lender's Manual, this Directive is meant to inform and remind you of the following procedural and underwriting changes:

- Effective December 1, all Lenders are required to submit as part of the Pre-Closing Compliance and Quick Close Post Closing Compliance and Purchase submissions **the full credit file that supports the decision of the Lender's Underwriter** which includes all pages of the credit report and appraisal and other documentation as is required per Fannie Mae and Ginnie Mae standards. **CDA will be performing an audit on 100% of file submissions.**
- For disclosure and qualification purposes, you should use the entire amount of the real estate tax owed on the subject property before the Homestead Credit is applied. Our borrowers will not benefit from a Homestead Credit that may have been applied to an existing homeowner; therefore, our borrowers will be obligated to the full tax amount. We've had several cases where the lower figure was used for underwriting, and borrowers were unable to meet this obligation.
- Remember that "eligibility" income is not the same as "affordability" income, and all borrowers must meet the requirements of both.. "Affordability" income is used to determine the loan amount borrowers can afford and is based upon the applicable underwriting qualification standards established by the

insurer/guarantor. "Eligibility" income is the sum total of all income earned by all occupants of the property and must not exceed a predetermined amount set by CDA (refer to Section 2.5 of the Lenders' Manual for more detail)

- The total debt-to-income ratio may never exceed 45% on automated underwritten loans. For manually underwritten loans the maximum total debt-to-income ratio is 36% unless the file has acceptable "compensating factors" as defined by the insurer or guarantor and as documented by the underwriter on the Underwriting Transmittal Form.
- Please remember to initiate your MERS transfers within 48 hours of receiving the Purchase Advice. We also request that when you do your data entry to include the social security number of the co-borrower and complete all portions of the "Miscellaneous" screen by providing the funding amount, funding date, and FHA/VA/RHS case number. A copy of the "MIN Summary Sheet" must be included in the Post Closing Compliance and Purchase Submission and the Quick Close Post Closing Compliance and Purchase Submission

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

Enclosure: Attachment K
Attachment L
Attachment M
Attachment Q

COMMUNITY DEVELOPMENT
ADMINISTRATION
DIVISION OF DEVELOPMENT FINANCE
100 Community Place
Crownsville, MD 21032

PHONE 410-514-7400

TOLL FREE 1-800-756-0119
TTY/RELAY 711 or 1-800-735-2258
WEB www.mdhousing.org

