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August 8, 2006

Directive 2006-12

MEMORANDUM: ALL PARTICIPATING LENDERS

SUBJECT: Live Near Your Work PLUS Program

The purpose of this Directive is to inform you of a new program – the Live Near Your Work (LNYW) PLUS – that opened on Monday, June 26, 2006. 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](#)).

**LNYW PLUS (Zero Point with a 3% Grant)**

LNYW PLUS is a state-sponsored mortgage incentive for homebuyers who want to purchase a home near their place of employment. The LNYW PLUS provides a downpayment and closing cost assistance grant to eligible More House 4 Less mortgage borrowers to be used toward the purchase of a home **within a 25-mile radius of their place of employment**. This program provides borrowers with a 3% closing cost assistance grant on a Zero Point loan.

- The 3% grant amount for the LNYW PLUS is based on the first mortgage amount not the purchase price.
- The 3% grant is **not a loan** and the lender should select No Second Mortgage when reserving a LNYW PLUS first mortgage unless the borrower is receiving matching funds under the House Keys 4 Employees Program (HK4EP) and then the instructions below should be followed:
  - *If the borrower is receiving a 3% grant under the LNYW PLUS Program and also receiving a HK4EP loan, the borrower receives a separate loan for the HK4EP loan (in the form of a DSELP loan). To reserve this loan, the lender accesses the “New Reservation” screen in Lender On-Line, selects the appropriate LNYW PLUS Program, for example “091 – LNYW PLUS 30 YR 0 PT + 3%”, selects “904 – HK4EP (Matching \$’s only) as the Second Mortgage Program, selects SECOND MORTGAGE and then completes the “New Reservation Form”.*

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- Example: Participating Employer contribution = \$2,500; local jurisdiction contribution = \$2,500;

First mortgage amount = \$250,000	
3% Grant	\$7,500
Employer contribution	\$2,500
Local jurisdiction contribution	\$2,500
HK4EP dollar-for-dollar match	\$5,000
<b>Total closing cost assistance</b>	<b>\$17,500</b>

The HK4EP loan in the amount of \$5,000 is reserved under the “904 – HK4EP (Matching \$’s only)” Second Mortgage Program.

- FHA-insured, USDA/RD (RHS)-guaranteed, VA-guaranteed and privately-insured (conventional) loans are eligible.
- Lender is responsible for ensuring that the grant is being applied consistently with the requirements of the mortgage insurer or guarantor for the grantee’s loan.
- The interest rate for this program when it opened on Monday, June 26, 2006 was **6.750% for the 30 year amortizing loan and the interest-only products (7/23, 5/30 and 7/33)** and **6.875% for the 40 year amortizing loan**. Please note that these interest rates are subject to change. These interest rates will be uploaded to our website as well as Lender On-Line.
- Other eligibility requirements, such as the Income Limits, Maximum Acquisition Costs, first-time homebuyer requirements, are the same as the regular MMP Statewide.
- **Borrower must certify that their new residence will be within a 25-mile radius of their place of employment**
- A CDA document, the [Closing Assistance Grant Agreement \(030905\)](#), must be signed by the borrowers (as Grantees) if they are receiving a 3% grant under this program. The original of this document is to be included in the Post Closing Compliance and Purchase Submission
- For FHA-insured loans (refer to Section 3, item 1-9 J. on pages 1-17 and 1-18 of the 4155.1 REV-5 Handbook for additional detail):
  - The proceeds from the 3% grant may ***not*** be used to fund any portion of the borrower’s 3% Statutory Investment Requirement;

Example: \$185,000 Sales Price and a \$183,549 Loan Amount (FHA-insured loan)

Amount of 3% grant =	\$5,506.47 (A) [\$183,549 X 3%]
3% Statutory Investment Requirement =	\$5,550.00 (B) [\$185,000 X 3%]
Total Cash to Close from Line 12g of MCAW =	\$13,140.00 (C)
\$13,140.00 (C)	\$7,590.00
- 5,550.00 (B)	- 5,506.47 (A)
\$ 7,590.00	\$2,083.53 + \$5,550.00 (B) or \$7,633.53 = funds needed from borrower

- The grant must be disclosed on the Good Faith Estimate and the HUD -1 Settlement Statement as a “LNYW PLUS grant”; and
- The principal balance of the loan must be reduced by the amount that the grant exceeds actual costs.
- **IMPORTANT:** CDA will not reimburse a lender for funds advanced for the grant if the accompanying loan is not eligible for purchase. In addition, the lender may not seek reimbursement

from the borrower. In the case of a repurchase, the amount of the grant will be included in the repurchase amount.

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](mailto:manahan@mdhousing.org).

Sincerely,

*William J. Manahan*

William J. Manahan

Senior Manager

Single Family Housing