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May 29, 2009

Directive 2009-14

MEMORANDUM: ALL PARTICIPATING LENDERS

SUBJECT: NEW DOWNPAYMENT AND SETTLEMENT EXPENSE LOAN PROGRAM (DSELP)
SUBORDINATION POLICY

The purpose of this Directive is to inform you that the new DSELP Subordination Policy goes into effect on June 1, 2009. This new policy allows the DSELP loan to be subordinated under certain conditions. The new DSELP Subordination Policy follows as an enclosure. This Directive along with the enclosed new DSELP Subordination Policy will be uploaded to our website at: <http://www.mmprogram.com/SnglFamHsgDir.aspx> and also to Lender On-Line (under Program Documents/Single Family Housing Directives).

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, Homeownership Programs
Single Family Housing

Enclosure: DSELP Subordination Policy

COMMUNITY DEVELOPMENT
ADMINISTRATION
DIVISION OF DEVELOPMENT FINANCE
100 Community Place
Crownsville, MD 21032
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DOWNPAYMENT AND SETTLEMENT EXPENSE LOAN PROGRAM (DSELP)

SUBORDINATION POLICY

Maryland Mortgage Program (MMP) borrowers with DSELP loans who wish to refinance their MMP loan, but cannot payoff the DSELP loans as required by the Deed of Trust Note signed at the time of the loan closing, will be allowed to have their DSELP loan subordinated under the following conditions:

1. Borrower may not receive any cash out of the refinance; however, to the extent that there is cash available, it must be applied toward the DSELP loan;
2. There must be insufficient equity to pay off the DSELP loan in full as evidenced by a current appraisal (within 60 days) and the loan application;
3. Any unpaid balance of the DSELP loan must be amortized over the following period at an interest rate of 5%:

≤ \$5,000	10 years
\$5,001 to \$10,000	20 years
\$10,001 to \$15,000	30 years

The DSELP loan may be paid off at any time without a prepayment penalty; and

4. Only one subordination of the original DSELP loan will be permitted.