



Robert L. Ehrlich, Jr.
GOVERNOR

Michael S. Steele
LT. GOVERNOR

Victor L. Hoskins
SECRETARY

Shawn S. Karimian
DEPUTY SECRETARY

November 9, 2005

Directive 2005-3

MEMORANDUM: ALL PARTICIPATING LENDERS

SUBJECT: NEW PROGRAMS AND MISCELLANEOUS REMINDERS

The purpose of this Directive is to clarify how the House Keys 4 Employees Program works and also to inform you of a unique product that the Maryland Housing Fund is offering in conjunction with the 40 Year Mortgage Program. Some reminders are also listed. This Directive will be uploaded to our website (under "JUST FOR LENDERS") and Lender On-Line.

The House Keys 4 Employees Program (HK4EP)

The [House Keys 4 Employees Program](#) (HK4EP) is a new program that enables eligible homebuyers to receive more down payment and closing cost assistance than is currently available through our standard Downpayment and Settlement Expense Loan Program (DSELP). Any borrower who receives a contribution for down payment and/or closing costs from one of the participating employers and meets the eligibility requirements of the More House 4 Less (MH4L) Program may participate in the HK4EP. The Department of Housing and Community Development (DHCD) will match contributions dollar-for-dollar, up to \$5,000, from participating employers. The employer's contribution may be combined with contributions from local jurisdictions, unions and/or non-profit agencies. The match amount is in the form of a 0% deferred loan that is repayable at the earlier of maturity or prepayment of the first mortgage, or sale or transfer of the property.

- *If the borrower is receiving a DSELP loan, the matching funds are added to the DSELP loan amount.* To reserve this loan, the lender accesses the "New Reservation" screen in Lender On-Line, selects the appropriate first mortgage program, for example "008 – MMP/2 PT 30 YR", selects "903 – DSELP/HK4EP (Reg + Matching)" as the Second Mortgage Program, selects **SECOND MORTGAGE** and then completes the "New Reservation Form".
 - Example: Participating Employer contribution = \$2,500; local jurisdiction contribution = \$2,500

DSELP loan	\$5,000
Employer contribution	\$2,500
Local jurisdiction contribution	\$2,500
HK4EP dollar-for-dollar match	<u>\$5,000</u>
Total closing cost assistance	\$15,000

COMMUNITY
DEVELOPMENT
ADMINISTRATION
Division of Development
Finance

100 Community Place
Crownsville, MD 21032

PHONE 410-514-7400
TOLL FREE 1-800-756-0119
FAX 410-987-8763



The HK4EP loan in the amount of \$5,000 is added to the DSELP loan in the amount of \$5,000 and the total combined amount of \$10,000 is reserved under the “903 –DSELP/HK4EP (Reg + Matching)” Second Mortgage Program.

- *If the borrower is receiving a 2% grant* under the MMP 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 MMP Plus Program, for example “009 – MMP/0 PT + 2% 30 YR”, selects “904 – HK4EP (Matching \$’s only) as the Second Mortgage Program, selects **SECOND MORTGAGE** and then completes the “New Reservation Form”.
 - Example: Participating Employer contribution = \$2,500; local jurisdiction contribution = \$2,500;
First mortgage amount = \$250,000

2% Grant	\$5,000
Employer contribution	\$2,500
Local jurisdiction contribution	\$2,500
HK4EP dollar-for-dollar match	<u>\$5,000</u>
Total closing cost assistance	\$15,000

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

To determine if an employer is a participating employer, the borrower can either access the [List of Participating Employers](#) on our MH4L Program website under House Keys 4 Employees or ask their Human Resources Department if their employer participates in the HK4EP. If their employer does participate, the borrower would complete the employee section of the [Verification of Partner Contribution](#) form (on our MH4L website under House Keys 4 Employees) and then have their employer complete the employer section. If there are any other contributions, the contributors would complete the appropriate section of the form. This form is then taken to the participating lender that the borrower selects. *Please note: If the borrower is receiving a DSELP loan, the borrower must meet the DSELP requirement that states he/she must contribute at least 1% of the first mortgage amount to the transaction.*

If an employer wants to participate in the HK4EP, they should read the [Employer Guidelines](#) (on our MH4L Program website under House Keys 4 Employees/Information for Employers) and then submit a completed [Employer Participation Agreement](#) (on our MH4L website under House Keys 4 Employees/Information for Employers) to the attention of Vicky Grim at the address at the end of the Agreement.

The 40 Year Mortgage Program

DHCD’s in-house mortgage insurer, the Maryland Housing Fund (MHF), along with the other six participating private mortgage insurers will insure the 40 year mortgage. MHF’s product has a one-time, upfront premium payment that is 3.95% of the base mortgage amount. This premium is added into the base mortgage amount. [MHF’s underwriting guidelines, appraisal guidelines and minimum property standards](#) are on DHCD’s website (Select “Programs”, then “Single Family Mortgage Insurance”, then “Single Family Insurance” in the next two screens and then click where indicated on the next screen that reads: “*Click here* for

Maryland Housing Fund, Single Family Operations Underwriting Guidelines, Appraisal Guidelines and Minimum Property Standards”).

Reminders

If an interest rate (for example, 5.50%) is on the note for the MH4L Program first mortgage that is not the applicable interest rate for the MMP Plus Program (for example, 5.875%) and a 2% grant is disbursed to the borrower at closing, the lender will not be reimbursed at the time of purchase for the grant disbursed at the closing.

The 2% grant amount for the MMP Plus (0 PT + 2%) Program is based on the first mortgage amount not the purchase price.

The 2% grant is ***not a loan*** and the lender should select No Second Mortgage when reserving an MMP Plus (0 Point + 2% grant) first mortgage unless the borrower is receiving matching funds under the House Keys 4 Employees Program and then the instructions under the second bullet of “**The House Keys 4 Employees Program (HK4EP)**” section of this Directive should be followed.

The lender should make sure the DSELP loan is reserved at the correct loan amount – some DSELP loans are being reserved at the MH4L Program first mortgage amount.

A DSELP loan is to be closed at the approved amount and if all the funds are not needed, a principal curtailment to the DSELP loan is to be made (and listed on the HUD-1 settlement sheet).

The \$150,000 cap on the MH4L Program first mortgage amount to obtain a DSELP loan was removed when the DSELP maximum loan amount was increased from \$3,000 to \$5,000 on June 1, 2005.

If a lender charges less than two points for a two-point loan, the loan will be funded based on the two-point fee schedule. For example, if the lender only collected one point on a loan that they should have collected two points and the loan is not approved for purchase until 100 days after the date of reservation, .50% will be deducted from the purchase amount netting the lender only .50% instead of 1.50%.

The lender should double check the payments on the Deed of Trust Note for the 5/30 Mortgage Program. The first payment should be the interest only payment for the first five years and the second payment should be the principal and interest payment amortized over the remaining 30 years not 35 years.

The lender should double check the maturity date on the Deed of Trust Note for a loan under the 5/30 Mortgage Program to make sure it is 35 years from the first payment date and not 30 years.

A power of attorney for the seller cannot be used for the Seller’s Affidavit or the Seller’s Confirming Affidavit unless the seller is physically or mentally incapacitated. Documentation substantiating the incapacity must be faxed to Single Family Housing to the attention of Bill Manahan along with a specific power of attorney prior to the submission of the pre-closing compliance submission. Be sure to include the name(s) of the borrower(s) and the reservation number for the loan on your fax cover sheet along with the name and fax number of the lender contact.

Any problems relating to Lender On-Line should be directed to Jane Linnbaum at 410-514-7517 or linnbaum@dhcd.state.md.us or to me.

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@dhcd.state.md.us.

Sincerely,

William J. Manahan
Sr. Manager
Single Family Housing