



MONTGOMERY COUNTY HOMEOWNERSHIP ASSISTANCE FUND
"McHAF" Program – Phase V (5)

Program Guidelines

Release: 8-8-2022

1.1 PURPOSE

To help Maryland homebuyers purchase a home in Montgomery County by offering a deferred Down Payment and Closing Cost Assistance loan in conjunction with the Housing Opportunities Commission of Montgomery County's ("HOC") Mortgage Purchase Program's ("MPP") first mortgage loan.

The Montgomery County Homeownership Assistance Fund ("McHAF") in combination with HOC's MPP will provide substantial down payment and closing cost assistance granting up to 40% of the household's **QUALIFYING** income for a maximum of \$25,000.

1.2 McHAF Downpayment and Closing Cost Assistance – Secondary Financing with HOC First Mortgage

- A. The McHAF will be a down payment and closing cost assistance loan in the form of a zero percent deferred loan. The maximum McHAF loan will be 40% of the **TOTAL QUALIFYING INCOME** with a maximum total of \$25,000.
- B. The McHAF lien will be in the name of HOC. The McHAF loan will be table funded by HOC.
- C. **TERMS:**
 - Zero percent (0%) per annum.
 - Ten (10) year deferred loan. No interest shall accrue on the loan and no monthly installments shall be due. Pro rata due upon sale during first 10 years and **may** be subordinated with a refinance only. The loan will be forgiven after 10 years, conditions apply.
- D. **OTHER CLOSING COST PROGRAMS:**
 - Can be combined with MPP's Revolving Closing Cost Assistance Program (RCCAP/"5 for 5") but the borrower **must work in Montgomery County, Maryland** to combine both.
 - Can be combined with any approved external assistance (i.e. FHLB of Atlanta). McHAF loan will take the 2nd lien position, if external assistance is used.

1.3 FIRST MORTGAGE ELIGIBILITY

- A. **McHAF FIRST MORTGAGE rates will be posted daily.**
CANNOT BE USED WITH THE HOC'S MPP'S FIRST MORTGAGE, OPTION 1 or OPTION 2 PRODUCT.
- B. Not intended to pay off debts
- C. No Cash Out– excess funds will be used as a principal curtailment to the first loan
- D. All other rules relating to HOC's MPP loans apply except where specifically noted in this document.
- E. Borrowers must meet all eligibility requirements established for HOC's MPP and McHAF.
- F. Must be a first-time homebuyer.
- G. Homebuyer education is required dated no more than two (2) years from the settlement date.
- H. **"LIQUID ASSETS" ELIGIBILITY**
 - 1) Homebuyers who have "liquid assets" 20% and over of the purchase price of the property **MAY not** be eligible to use the HOC McHAF Program. Gifts in the form of cash or equity are generally considered liquid assets.
 - 2) A "liquid asset" is cash on hand or an asset that can be readily converted to cash. An asset that can readily be converted into cash is similar to cash itself because the asset can be sold with little impact on its value.
- I. Participating lenders should determine if liquid assets affect eligibility. (Contact HOC with any questions or concerns) 240-627-9798.
- J. HOC will verify all assets at Pre-Closing Compliance Submission.
- K. **MAXIMUM LOAN TO VALUE/COMBINED LOAN TO VALUE:**
 - o LTV/CLTV requirements are the same as for the regular MPP products.
 - Not to exceed 104.5% for FHA financing
 - Not to exceed 105% for Conventional financing

L. LIEN POSITION:

- Second or third position depending on combination of closing cost programs.
 - 2nd Lien with McHAF posted rates
 - 3rd Lien when combined with RCCAP or external closing cost assistance.

M. OTHER:

- No manual underwriting allowed.
- First Trust product must continue to follow all underwriting overlays of HFA, US Bank, Fannie Mae, Freddie Mac, FHA and PMIs.

1.4 RESERVATION OF FUNDS - on or after MONDAY, AUGUST 8, 2022

C. Lenders may reserve Montgomery County Homeownership Assistance Funds Program loans until the funds are expended.

- **The MPP/McHAF FIRST MORTGAGE loans will be reserved through eHousingPlus by the HOC participating lender.**
- **The McHAF FUNDS AMOUNT will be reserved with the McHAF first mortgage rates on eHousingPlus until all McHAF funds are expended.**
- **First mortgage rates (FHA and Conventional) specific to the McHAF program will be posted on the HOC Daily Notification of Interest Rate sheet.**
- **For all closed first mortgage McHAF eHousingPlus reservations there will be an additional \$25.00 fee along with the standard \$225.00 fee for a total of \$250.00 (ACH/eHPAY).**

1.5 ORIGINATION and Pre-Closing Secondary Financing Required - Additional Documentation

- A. **LOAN ESTIMATE (LE) is NOT REQUIRED for this loan.**
- B. **Revised Form 8/8/2022: Disclosure of Information for Montgomery County Homeownership Assistance Funds Program** signed by Applicant at application.
- C. Follow revised Pre-Closing Secondary Financing Programs checklist dated **8/8/2022** include:
 - a. eHP Confirmation Form with McHAF loan amount
 - b. Disclosure of Information for McHAF - revised
 - c. Verification of Liquid Assets

1.6 CLOSING/SETTLEMENT/POST CLOSING

- A. **CLOSING DISCLOSURE - LENDER will prepare:**
 - 1. HOC will email Settlement Instructions to the lender with the information for preparation.
- B. **CLOSING/SETTLEMENT DOCUMENTS and FUNDING (Table Funded by HOC)**
 - 1. **HOC will prepare** the closing documents and "Instructions to the Settlement Attorney" for all secondary financing products **INCLUDING McHAF.**
 - a. Loan Agreement And Note
 - b. Deed Of Trust
 - c. Obligation And Award Letter
 - 2. **McHAF FUNDS for settlement SENT via ACH ONLY to the Title Company.**
 - a. **HOC DOES NOT wire funds or issue checks.**
 - 3. **TITLE COMPANIES – IF TITLE COMPANY DOES NOT ACCEPT ACH THEY WILL NOT BE ABLE TO SETTLE WITH THE HOC PRODUCTS.....NO EXCEPTIONS.**
 - a. Please schedule with HOC in advance of settlement.
 - 4. **HOC NEEDS 5 WORKING DAYS TO PROCESS NEW ACH SET UP.** McHAF funds deposit will be processed **TWO** days before settlement.
 - 5. HOC will email McHAF docs (Settlement Instructions, DOT and Note) to settlement agent and Lender.
 - 6. All McHAF documents should be returned to HOC as per HOC Instructions to Settlement.
- C. **SERVICER:**

HOC will be the servicer of the McHAF funds loans NOT the First Mortgage serviced by U.S. Bank, NA.

Disclaimer: The terms and conditions are subject to change until the lender locks the loan in eHousingPlus, Inc. A potential borrower should contact an approved lender for further loan information (see www.hocmc.org for a list of approved lenders). In connection with the Mortgage Purchase Program, the Housing Opportunities Commission makes no promises, representations or warranties to any party, including any borrower, about the actual benefit a Montgomery County Mortgage loan might provide in specific situations. Each borrower's situation is different, and potential borrowers should seek the advice of a financial advisor, attorney or housing counselor before entering into any loan transaction.