

**MONTGOMERY COUNTY HOMEOWNERSHIP ASSISTANCE FUND
"McHAF" Program – Phase III**

Program Guidelines

Release: 07/27/2020

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.
- 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. MUST BE USED WITH HOC'S MPP'S FIRST MORTGAGE, OPTION 1 PRODUCT – ONLY.

- 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.
- F. Must be a first-time homebuyer.
- G. Homebuyer education is required dated no more than two (2) years from 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)
- 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:

- o Second or third position depending on combination of closing cost programs.
 - 2nd Lien with Option 1 only
 - 3rd Lien when combined with RCCAP

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

- A. Lenders may reserve Montgomery County Homeownership Assistance Funds Program loans until the funds are expended.
- B. The HOC participating lender will reserve the funds with HOC or its assignee based on estimate of closing expenses and available assets.

*** MUST have a confirmed eHousingPlus First Trust reservation on or after MONDAY, JULY 27, 2020**

C. RESERVATION OF FUNDS:

- 1) Complete the *“Montgomery County Homeownership Assistance Fund (McHAF) Reservation of Funds – Phase III* form (use fillable only). **Form attached** and also located on the Single Family webpage <http://www.hocmc.org/homeownership>
For Lenders: Affidavit and Disclosure (McHAF Section).

INSTRUCTIONS TO LENDER:

- 1) Email the reservation request to paulette.dudley@hocmc.org
 - (a) Email **SUBJECT LINE MUST read: MCHAF RESERVATION REQUEST – [Borrower’s Last Name]** Provide the following documents:
 - (1) The RESERVATION form – will not accept handwritten forms
 - (2) Copy of eHousing Plus Confirmation letter
 - (3) Copy of 1008 / FHA Transmittal (reflect McHAF loan)

D. Interest Rates for the first trust mortgages are published daily. The McHAF loan is secondary financing and does not carry any interest. <http://www.hocmc.org/homeownership>

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

- A. **LOAN ESTIMATE (LE) is NOT REQUIRED for this loan.**
- B. **Form: 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 **01/21/2020** include:
 - a. Reservation of Funds form for McHAF - revised
 - b. Disclosure of Information for McHAF - revised
 - c. Verification of Liquid Assets

1.6 CLOSING/SETTLEMENT

- 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.**
 - Loan Agreement And Note
 - Deed Of Trust
 - Obligation And Award Letter
 - Collection of customary fees. **HOC Service Fee of 1% of McHAF loan (ie: \$25,000; fee \$250)**
 2. ****NEW** FUNDS for settlement SENT via ACH ONLY. HOC will not wire funds or issue checks for settlement.**
 - a. PLEASE SCHEDULE WITH HOC IN ADVANCE OF SETTLEMENT.
 3. **ACH deposit will be processed TWO day before settlement.**
 4. HOC will email McHAF docs to settlement agent and Lender.
- C. All McHAF documents should be returned to HOC as per HOC Instructions to Settlement.

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.