

# FACT SHEET: MARYLAND SMARTBUY 3.0 - AFFORDABLE HOMEOWNERSHIP FOR BUYERS WITH STUDENT DEBT



**MARYLAND MORTGAGE**  
*Making Homeownership Affordable*

SmartBuy 3.0 enables qualified borrowers with student debt to purchase a program-eligible home in Maryland using conventional financing through the Maryland Mortgage Program (MMP) administered by the Community Development Administration (CDA). This product replaces the previous SmartBuy products. The CLTV aligns with regular conventional loans. Effective for loans reserved on or after 10/02/2023.

<b>PURPOSE</b>	To help manage the housing purchase costs for a borrower who is purchasing an eligible property and has an existing student debt (which can be in repayment or deferred status) balance of a minimum of \$1,000 and up to a maximum of 15% of the home purchase price (with a cap of \$20,000). <b>The full student debt for at least one borrower must be entirely paid off at the time of the home purchase; partial loan payment is not permitted under this program.</b> (If a co-borrower also has student debt that can be paid off completely within the 15% maximum, that is permitted.)	
<b>TRANSACTION STRUCTURE</b>	Mortgage Product	<p>Up to 97% of the purchase price will be financed with the <b>first mortgage</b> (30-year conventional amortizing mortgage loan). The first mortgage will be pooled into a Fannie Mae or Freddie Mac Mortgage Backed Securities (MBS) structure.</p> <p>The <b>second loan (which is NOT a mortgage)</b> consists in a 5-year forgivable Promissory Note of up to 15% of the purchase price, not to exceed a maximum amount of \$20,000. This loan will be used to pay off completely a borrower's outstanding student debt balance at the time of home purchase. If there are two borrowers on the loan, only one borrower's student loan balance must be paid off. If the full student debt for both borrowers can be paid off, that is permitted, but partial loan repayment will not be available under this program; <b>either a borrower's loans are fully paid off or not at all.</b></p> <p>The student debt loan must be in the borrower's name and for the borrower's education.</p> <p>The <b>second loan (not mortgage)</b> is a 0% interest deferred Promissory Note with no monthly payments, forgivable over 5 years at 20% rate per year on each anniversary date (remainder due upon sale if the event takes place within the first 5 years from the settlement of the first mortgage). (If property is sold within the 5-year period, the remainder must be repaid.) The Promissory Note will not be secured by a lien on the property. It will be funded by the lender upfront, at loan closing, in the same manner and at the same time with the Down Payment Assistance (if applicable) as detailed below and then the lender will be reimbursed by CDA.</p>
	Down Payment and Settlement Expense Assistance	If the borrower desires it, a <b>second mortgage</b> will be provided by CDA as a regular Down Payment Assistance loan. There are two choices: 1) a \$6,000 DPA loan, or 2) a DPA loan equal to 6% of the first mortgage; this second choice is only available to borrowers earning 50% or less of AMI. All of these options are 0% deferred loans (due upon sale, payoff, transfer, or refinancing of the first mortgage), subordinate to the first mortgage. The second mortgage will be funded by lender at closing, in line with the current Down Payment Assistance funding process, and CDA will reimburse the lender in accordance with the already established Down Payment Assistance reimbursement process detailed in Directive 2018-16. No Partner Match funds will be provided by CDA for this program.
	Down Payment Required From Borrower	As required by the insurer, PMI, and/or US Bank. The optional second mortgage may be used for this.
	Private Mortgage Insurance (PMI)	Approved PMIs can be found on the MMP website at <a href="https://mmp.maryland.gov/Lenders/Pages/Eligible-Mortgage-Insurers.aspx">https://mmp.maryland.gov/Lenders/Pages/Eligible-Mortgage-Insurers.aspx</a> . FNMA loans should be HFA Preferred; Freddie Mac loans should be HFA Advantage.
	Total Program Limit	According to funding; a countdown of funds will be published if limit is neared.
	Combined Loan to Value (CLTV)	In line with the requirements of the investor, PMI and US Bank. Maximum CLTV of 105% (value is based on home purchase price which is calculated considering the market value and appraisal, per FNMA's guidelines.) The second loan (unsecured, so not a mortgage) is not included in this calculation.
	Geographic Limitations	Maryland statewide (see ELIGIBLE PROPERTIES below for additional parameters)
	Eligible Borrower	Any creditworthy borrower, based on insurer and servicer underwriting standards as well as MMP requirements, with student debt of at least \$1,000 (see ELIGIBLE BORROWERS section below for additional parameters including minimum credit score of 720)
	Master Servicer	US Bank



For more information, please visit:  
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**PARTNER MATCH PROGRAM**  
Not available with this program. Other available assistance from employers, builders, developers, non-profits, etc. may be utilized by the borrower in combination with this product as long as the CLTV does not exceed the limit, but no match funds are available from MMP/CDA.

**ELIGIBLE PROPERTIES**  
Any property in the state of Maryland eligible under the Maryland Mortgage Program. Please refer to the Maryland Mortgage Program Standard 30-Year Purchase Program fact sheet. DHCD REOs cannot be financed under this program.

**ELIGIBLE BORROWERS**

- Specific requirements for borrowers with existing student loan debt:
  - ✓ Minimum remaining balance of student loan debt of \$1,000 and up to a maximum of 15% of the sales price or \$20,000, whichever is lower. The student loan has to be in the name of the borrower for the borrower's education. The loan included in the statement has to be easily identifiable as a student loan and it has to be part of the loan/s listed in the borrower's credit report.
  - ✓ The student loan may be in repayment or deferred status.
  - ✓ An eligible educational institution is an accredited public, nonprofit, or proprietary (privately owned profit-making) college, university, vocational school, or other postsecondary educational institution. Also, the institution must be eligible to participate in a student aid program administered by the U.S. Department of Education. (Most accredited post-secondary institutions meet this definition.)
  - ✓ A monthly statement or verification from the student loan lender/servicer (personal loans from private individuals do not qualify) verifying the amount of the indebtedness must be in the loan file. The lender is the organization that made the loan initially; the lender could be the borrower's school; a bank, credit union, or other lending institution; or the U.S. Department of Education. The borrower must be current on the student loan at the time of the SmartBuy loan reservation and closing.
  - ✓ The full outstanding balance of the student debt of the borrower (which shall not exceed 15% of the purchase price or \$20,000, whichever is lower) must be paid off as part of closing. This will be reflected on the CD.
- All customary loan underwriting standards and requirements related to student debt apply and will be used to qualify the homebuyers. Eligible borrowers must qualify for a Maryland Mortgage loan, i.e. credit score, total debt-to-income (DTI) ratio, income and purchase price limitations, asset limitations, etc. See the Underwriting Requirements section for more information.
- As with all Maryland Mortgage Program purchase loans, SmartBuy 3.0 requires homebuyers to take a Homebuyer Education class. See approved options: (<http://mmp.maryland.gov/Pages/Homebuyer-Education.aspx>).
- For more information on general Maryland Mortgage program requirements, go online to <https://mmp.maryland.gov/Lenders/Documents/FactSheets/MMP-FactSheet-standard-loan-30yrPurchase.pdf>, or browse the website at [www.mmp.maryland.gov](http://www.mmp.maryland.gov).

**FIRST TIME HOMEBUYER REQUIREMENTS**

While Maryland Mortgage program loans generally are limited to first-time homebuyers, the requirement is waived if:

- Borrower is purchasing in a targeted area (see <http://mmp.maryland.gov/Pages/Targeted-Areas.aspx> for more information on targeted areas); or
- It has been more than three years since the borrower has owned a principal residence; or
- Borrower is an honorably discharged veteran who has not previously used the first-time homebuyer exemption. This is in accordance with the Heroes Earnings Assistance and Relief Tax Act of 2008, as amended. A DD-214 form must be submitted to document veteran status, and an Attachment V - Veteran First Time Homebuyer Exemption form (located at <http://mmp.maryland.gov/Lenders/Pages/Loan-Documentation.aspx> under First Mortgage Pre-Closing/Documents That Are Sometimes Required) must be completed.

Regardless of the waiving of the first-time homebuyer requirement, no Maryland Mortgage Borrower can own **any other real property** at time of closing.



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<b>SPECIAL REFINANCING SITUATIONS</b>	If at a future date a borrower refinances the first mortgage loan under this program (with the goal of reducing the interest rate), the existing Promissory Note may remain in place, forgivable at the same rate for the remainder of the original 5-year term. CDA or USB must be notified. (It must be paid off if the property is sold.) The second (DPA) lien must be paid off if the first lien is refinanced outside the Maryland Mortgage Program. If using the MMP refinance product for the refinance of the first mortgage, the DPA second may be subordinated upon CDA approval.
<b>UNDERWRITING REQUIREMENTS</b>	All underwriting overlays of US Bank, Fannie Mae, Freddie Mac, and PMIs apply. AUS and manual underwriting allowed. <b>Minimum middle credit score is 720.</b> Above and below 80% AMI loans allowed (codes vary). Only borrowers with income at or below 50% AMI are eligible to use the 6% DPA option.  The master servicer (US Bank), the PMIs and FNMA or Freddie Mac may change their underwriting guidelines from time to time and those must be met.

All other rules relating to Maryland Mortgage Program loans apply except where specifically noted in this document (see 30-Year Standard Fact Sheet).

The post-closing documentation must reflect that the student debt balance for the borrower(s) has been brought to zero.

Any overlays required by Fannie Mae, Freddie Mac, PMIs and the master servicer apply, as well as any funding source that provides additional assistance.

**Disclaimer:**

The terms and conditions are subject to change until a borrower qualifies for the loan and locks in the interest rate. A borrower should contact an approved lender for further information concerning a loan and applying for a loan (see "mmp.maryland.gov"). In connection with the Maryland Mortgage program, the Maryland Department of Housing & Community Development makes no promises, representations or warranties to any party, including any borrower, about the actual benefit a Maryland Mortgage loan might provide to a specific homeowner. Each borrower's situation is different, and borrowers should seek the advice of a financial advisor, attorney or housing counselor before entering into any loan transaction.



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