130th Maine Legislature

Report to the Joint Standing Committee on
Innovation, Development, Economic Advancement, and Business

L.D. 1709

Resolve, Directing the Maine State Housing Authority to Examine and Develop a Program Promoting Home Ownership by Reducing Education Debt

1. OVERVIEW – LD 1709 SUMMARY

Over the course of the summer and fall of 2021, representatives of the Maine State Housing Authority (MaineHousing), in cooperation with representatives from the Finance Authority of Maine (FAME) and a representative of Senate President Jackson's office, met as a work group to address the requirements of LD 1709, a resolve directing MaineHousing to explore and design a program to promote home ownership in Maine by reducing education debt.

When potential home buyers enter the mortgage market with significant levels of student debt, their debt-to-income ratios can preclude them from qualifying for mortgages. This program would offer a path to home ownership, combined with student debt reduction, for buyers who might otherwise be unable to purchase their first homes. The bill's sponsor also characterized this sort of program as a potential tool to both attract younger people to Maine, and to help keep Maine graduates in state.

The program we propose would be called "Maine Smart Buy" and be modeled after similar programs with the same name that have been successful in Maryland and Illinois. We believe that using a name similar to other state programs could help build brand awareness for such programming were it to be expanded to more states. The program would allow qualifying first-time homebuyers to purchase a home while enjoying forgiveness of up to $40,000 in student debt. A state appropriation would provide the funds needed to forgive the participants' student debt.

Participants would be required to maintain the home as their primary residence for a period of five years. Though the student debt would be forgiven at the time of the home loan closing, the homebuyer would be obligated by a Promissory Note, equal to the amount of the student debt to be forgiven. This would require no payments by the home buyer, and would be forgiven at a rate of 20% per year over five years. If, however, the purchaser left or sold the home before the five-year period was over, they would be liable for the proportional amount of the second loan still owed.

2. PROGRAM DESIGN PROCESS

The work group met on August 24th, September 8thand October 27th to review the program goals and develop program specifics. In addition these meetings the group conducted research in the interim and contacted managers of the Smart Buy programs in Maryland and Illinois.

The work group consisted of the following members:
From MaineHousing:

> **Peter Merrill**, Deputy Director
> **Craig Reynolds**, Director of Homeownership, Homeownership Department
> **Tina Partridge**, Mortgage Lending Manager, Homeownership Department
> **Erik Jorgensen**, Senior Director of Government Affairs and Communications

From FAME:

Bill Norbert, Manager of Governmental Affairs and Communications
Martha Johnston, Director of Education

From the Maine Legislature:

Carolyn Russo, Policy and Legal Director, Office of Senate President Troy Jackson

3. NEED: STUDENT LOAN DEBT DRIVES HOME PURCHASE DELAYS

Since 2019, college debt across the United States has increased by $91 billion annually. Student loan debt now represents the second-largest form of household debt in America behind home mortgages. The result is that 35% of households with student debt state they have difficulty affording daily necessities due to their student loans and, without some form of assistance, homeownership is currently out of reach for them. [1] A 2019 Federal Reserve Consumer and Community Context report notes that approximately 400,000 young Americans were prevented from purchasing a home due to their student loan debt. In Maine alone, two-thirds of the 2019-2020 four-year college graduates on average graduated with over $32,000 of debt, one of the highest percentages and average balances in the country. [2]

A June 2021 poll of student loan debt holders performed by the National Association of REALTORS reflected that 53% of respondents indicated that their school loan debt impacted their significant life choices, and over half of the non-homeowners in the survey indicated that student loan debt was preventing them from a home purchase. Almost three-quarters of respondents estimated a delay of up to eight years until they could afford to purchase a home.[3]

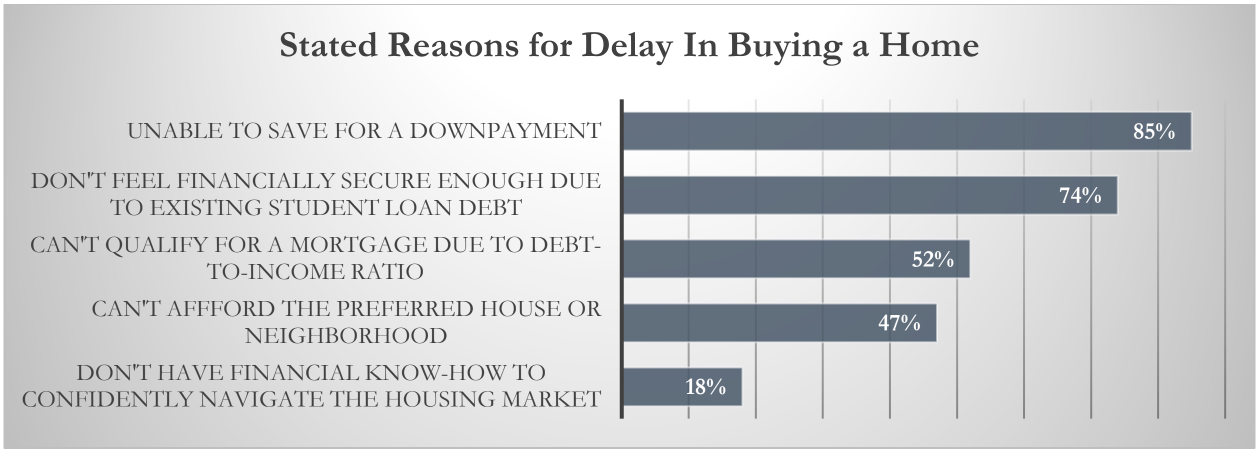
In larger reports from 2016 and 2017 by The National Association of REALTORS and American Student Assistance, *Student Loan Debt and Housing Report*, 83% of respondents who were not homeowners indicated that the primary reason for their delay in their first home purchase was due to student loan debt. This delay was primarily caused by factors such as inability to save for a down-payment and not feeling financially secure enough due to their existing debt; however, over 50% indicated that they could not qualify for a mortgage with their existing debt-to-income ratio.[4]

1 Hanson, Melanie. "Economic Effects of Student Loan Debt" EducationData.org, October 18, 2021, https://educationdata.org/student-loan-debt-economic-impact

[2] "Student Debt and the Class of 2020 16th Annual Report", 2021, https://ticas.org/wp-content/uploads/2021/11/classof2020.pdf

[3] "The Impact of Student Loan Debt September 2021", 2021, 2021-the-impact-of-student-loan-debt-report-executive-summary-09-14-2021.pdf

[4] "Student Loan Debt and Housing Report 2017", 2017, https://file.asa.org/wp-content/uploads/2019/01/28201122/Student-Loan-Debt-and-Housing-2017.pdf



Source: 2017 *Student Loan Debt and Housing Report*

The *Student Loan Debt and Housing Report* also found that when student loan borrowers were asked what they would do with the extra funds if they weren't paying on their student debt, 63% indicated the extra money would go towards the purchase of a home. These findings provide strong evidence that decreasing the burden of debt on student loan borrowers through a student loan forgiveness program would be beneficial toward encouraging home ownership.

4. STUDENT DEBT IN MAINE

While it can be difficult to isolate specific levels of student debt for Maine students, there is no question that debt in this state mirrors or exceeds the nationwide figures. The data most often cited nationally and at the State House is reported by The Institute for College Access and Success (TICAS) through their Project on Student Debt. The latest report is *Student Debt and the Class of 2019*. An interactive map at https://ticas.org/interactive-map/[5] shows that Maine 2019 bachelor degree graduates held an average of $33,591 in student debt upon graduation.

Educate Maine also publishes average student debt amounts for Maine students. In 2018, this organization reported an annual average student debt for attending school in Maine to be $7,111, this presumably being an aggregation of all postsecondary education costs, including community college associates' degrees. https://educationindicators.me/#1595011946484-d2db7b66-21f4

5 This is voluntarily-reported information provided by Maine institutions. Not all colleges and universities participate in this survey.

5. MAINE SMART BUY PROGRAM PROPOSAL

Program Summary:

The Maine Smart Buy program would assist first-time homebuyers with existing student loan debt to achieve homeownership in Maine. The program would allow qualifying first-time home buyers to purchase a home using the MaineHousing First Home Loan Program while enjoying forgiveness of up to $40,000 in student debt. A state appropriation would provide the funds needed to eliminate the student debt and the mortgage loans would be provided by an existing network of First Home Loan lenders.

MaineHousing, in partnership with FAME, would offer Smart Buy to qualified borrowers with an existing student loan debt balance of at least $5,000. The program would specify a maximum loan amount to be paid off. For purposes of this analysis, we suggest a maximum level of $40,000, which is consistent with the amount available in other Smart Buy programs in Illinois and Maryland.

This program is designed to pay off loans in full, and partial payment of a student loan would not be permitted. The entire student loan must be paid in full because partial payments to a student loan typically do not result in a reduction of the monthly payment amount. Also, if a debt is paid in full, the debt will no longer affect the borrower's debt ratios when determining eligibility for the home loan. If the debt relief received by a participant is sufficient to pay off more than one loan in full, that would be allowed.

Participants would be required to maintain the home as their primary residence for a minimum of five years. Though the student debt would be eliminated at the time of closing, the homebuyer would be obligated by an unsecured promissory note (a second loan), equal to the amount of the eliminated student debt. This would require no payments by the home buyer and would be forgiven at a rate of 20% per year over five years. If, however, the participant leaves or sells the home before the five-year period is over, they would be liable for a proportional amount of the outstanding balance on the promissory note

Mortgage Requirements

A. **Borrower Eligibility.** Borrower must meet MaineHousing's First-Time Homebuyer Program requirements, which include, but are not limited to:

   1. First-Time Homebuyer requirement: the borrower cannot have owned a home within the last three years.

   2. Principal Residence requirement: the home must be used as the buyer's principal residence for the length of time the mortgage is outstanding.

3. Household Income Eligibility requirements: MaineHousing's Income Limits are published on its public website: Homebuyer Income & Purchase Limits (mainehousing.org).As of 11/1/21, the income limits were as follows:

MaineHousing Income Limits

Area	1-2 Person	3 or more
Portland HMFA **Cumberland County:** Cape Elizabeth, Casco, Chebeague Island, Cumberland, Falmouth, Freeport, Frye Island, Gorham, Gray, Long Island, North Yarmouth, Portland, Raymond, Scarborough, South Portland, Standish, Westbrook, Windham, Yarmouth **York County:** Buxton, Hollis, Limington, Old Orchard Beach	$100,300	$115,350
Area	1-2 Person	3 or more
York/Kittery/So. Berwick HMFA Berwick, Eliot, Kittery, So. Berwick, York	$105,300	$121,100
Cumberland County (excluding HMFA)	$78,820	$90,650
Sagadahoc County	$78,820	$95,340
York County (excluding HMFA)	$82,900	$95,340
All Other Counties	$76,600	$88,090

4. Maximum Debt Ratios; Back-end ratio of up to 45%

5. Minimum Credit Scores: 640

6. Acceptable Credit

B. Property Eligibility. Residences must meet MaineHousing's First-Time Homebuyer Program eligible property type requirements.

1. Eligible property types:
    a. Existing Homes, 1 to 4 units;
    b. Mobile Homes not older than 20 years which will be located on land owned by the applicant;
    c. Mobile homes not older than 20 years which will be located in an approved mobile home park or on other land leased by the borrower for the same term as the Mortgage Loan;
    d. Modular Homes;
    e. Condominium Units;
    f. New Homes; (permanent financing only); and
    g. Purchase of existing home with improvements.

2. Acquisition Cost limits: MaineHousing's Purchase Price Limits are published on its public website. Homebuyer Income & Purchase Limits (mainehousing.org) (hyperlink) The Purchase Price Limits as of 11/1/21 are as follows:

MaineHousing Purchase Price Limits

Area	1-Unit	2-Unit	3-Unit	4-Unit
Portland HMFA **Cumberland County:** Cape Elizabeth, Casco, Chebeague Island, Cumberland, Falmouth, Freeport, Frye Island, Gorham, Gray, Long Island, North Yarmouth, Portland, Raymond, Scarborough, South Portland, Standish, Westbrook, Windham, Yarmouth **York County:** Buxton, Hollis, Limington, Old Orchard Beach	$353,370	$452,390	$546,810	$679,570
York/Kittery/So. Berwick HMFA Berwick, Eliot, Kittery, So. Berwick, York	$353,370	$452,390	$546,810	$679,570
Cumberland County (excluding HMFA)	$353,370	$452,390	$546,810	$679,570
Sagadahoc County	$353,370	$452,390	$546,810	$679,570
York County (excluding HMFA)	$353,370	$452,390	$546,810	$679,570
All Other Counties	$311,970	$399,440	$482,810	$600,030

C. **Mortgage Loan Terms.** Each mortgage loan shall be permanent financing with a level month debt service payment based on a 30-year amortization. Mobile Home terms are based upon the age of the mobile home, as outlined below.

Age of Mobile Home	**Term must be equal to:**
0 – 10 years	30 years
11 – 15 years	25 years
16 – 20 years	20 years

D. Mortgage Interest Rate[6]. Mortgage loans must bear the interest rate in effect on the date of the mortgage loan is reserved with MaineHousing. MaineHousing will display the interest rate on the rate sheet, which is available on MaineHousing's public website: Current Interest Rates (mainehousing.org)

The interest rate in effect on 12/1/21 was as follows:

30 Year Fixed Rate	APR*
2.875%	3.490%

*Annual Percentage Rate (APR) is the cost of credit stated as a yearly rate. The APR calculation is based on a $100,000 loan for a 30-year term and includes points and mortgage insurance fees collected on a Rural Development loan. The actual APR may be higher depending on additional mortgage loan fees the MaineHousing lender charges the borrower.

E. Mortgage Insurance and Government Guaranty. Unless otherwise approved by MaineHousing, a mortgage loan-to-value rate that exceeds 80% of the lesser of the appraised value of the residence or the cost of acquiring the residence, the mortgage loan must be insured by an eligible private mortgage insurance company or FHA; or guaranteed by VA or RD (should spell out these acronyms for readers).

F. Down-Payment Requirements. The amount of down-payment depends on the mortgage insurer a borrower chooses. The down payment requirements by mortgage insurer are as follows:

Mortgage Insurer	**Down Payment**
Rural Development (RD)	0%
Department of Veteran Affairs (VA)	0%
Federal Housing Administration (FHA)	3.5%
Private Mortgage Insurance (ARCH)	5%

G. Points. There are no points charged on a MaineHousing loan.

SmartBuy Program Requirements:

H. Student Loan Debt Requirements.

1. Minimum remaining student loan debt of at least $5,000, up to a maximum of $40,000.

2. The student loan must be in the name of the borrower(s) and for the borrower's education.

[6] Interest rates, purchase price limits and other program specifics are subject to change.

3. A monthly statement or verification from the student loan lender/servicer verifying the amount of the indebtedness must be provided by borrower to the lender.

4. The student loan statement provided must be easily identifiable as a student loan.

5. The full student loan debt for at least one borrower must be paid in full at the time of closing on the home purchase. The entire student loan payment is required to be paid in full so that the debt will no longer need to be considered in the borrower's debt ratios when determining eligibility for the home loan.

6. If the debt relief received is sufficient to pay off the student loan debt of both borrowers in full, it will be allowed; however, partial loan repayment is not allowed.

7. The full outstanding balance of the student loan debt of one or both borrowers must be paid off at the time of closing of the home purchase by the closing lender or title company/agent.

I. Unsecured Second Note.

The homebuyer(s) will be obligated by an unsecured promissory note equal to the amount of student debt paid off at closing. Payment of principal shall be deferred until the first to occur of the following: (i) the sale or other transfer of borrower's home or any interest therein; (ii) the failure to occupy the home as their principal residence for the first five (5) years they own the home; or (iii) a default under the note, the mortgage securing the note or any other document executed by the borrower in connection with the loan. At that time, the principal balance that has not been forgiven will be due.

J. Forgiveness and Repayment.

In the absence of an event of default, the outstanding balance of the loan shall decline by twenty percent (20%) per annum beginning on the first (1^{st}) anniversary of the date of the note and upon each of the successive four (4) anniversaries for each full year borrower occupied the property as their principal residence, until the outstanding balance owed under this promissory note reaches zero ($0) dollars.

K. Taxable Revenue at Federal and State Level.

1. Program participants should be aware that the student debt forgiven or repaid on their behalf may be considered income by state and federal taxation authorities and taxed as such. It is recommended that the loan repayments or forgiveness achieved on behalf of the program participants under the program not be taxed as imputed income at the state level.

This is a matter for legislators to decide, however, and of course it would require an act of Congress to do the same at the federal level.

2. The promissory note equal to the amount of the student debt paid off will be forgiven at 20% each year, for a total of five years.

L. Early Payoffs.

If the borrower stops using the home as their principal residence, the non-forgiven portion of the loan will be re-written with a loan through FAME.

6. BUDGET PROPOSAL

This program would be supported by a state budget appropriation, and program impact would be directly proportional to the amount of funding available. MaineHousing has broad authority to develop and operate programs so there is no need for specific authorizing legislation to create this proposed program.

A key challenge for a program like this will be cost. More first-time homebuyers would be served with a larger appropriation; fewer would be served with a smaller one. By necessity, the program would require a substantial fiscal note to provide debt relief at any sort of scale.

If 300 purchasers entered the program with debt to be eliminated as part of their home purchase transactions, providing student loan debt relief for about that many homebuyers would quickly add up. Assuming an average debt payoff of $35,000 (with a maximum of $40,000), the program would cost approximately $10,500,000 per year.

We recommend that the Legislature consider appropriating $1-2 million to the program initially to serve as a pilot. This pilot could be managed through a limited subset of the Maine banks that serve as First Home Loan lenders. The chart below reflects how many participants could be served through different levels of pilot funding:

Average Debt Payoff	Legislative Allocation	Potential Number Served
$35,000	$1,050,000	30
$35,000	$1,575,000	45
$35,000	$2,100,000	60

APPROVED
JUNE 15, 2021
BY GOVERNOR

CHAPTER
64
RESOLVES

STATE OF MAINE

IN THE YEAR OF OUR LORD

TWO THOUSAND TWENTY-ONE

S.P. 562 - L.D. 1709

Resolve, Directing the Maine State Housing Authority To Examine and Develop a Program Promoting Home Ownership by Reducing Education Debt

Sec. 1. Maine State Housing Authority to examine and develop a program for home ownership by reducing education debt. Resolved: That the Maine State Housing Authority, in consultation with the Finance Authority of Maine, shall examine programs that promote home ownership by reducing borrowers' education debt and shall develop such a program, including statutory language and budgetary requirements, for implementation in the State. In examining such programs, the Maine State Housing Authority, in consultation with the Finance Authority of Maine, shall consider, but is not limited to considering:

1. The total amount of student loan debt that could be reduced and the average amount of individuals' student loan debt in relation to the average purchase price of a home;

2. The minimum amount of student loan debt an individual must have to qualify to participate in such programs;

3. Whether a program participant is required to pay off any remaining student loan debt;

4. The financial process for reducing student loan debt through the purchase of a home;

5. Whether a program participant is required to remain in the home for a certain period of time;

6. A program participant's credit score;

7. The requirements a program participant must meet for assistance in making a down payment; and

8. Any other requirements necessary for a program participant to qualify for assistance with a home mortgage through such programs.

Sec. 2. Report. Resolved: That the Maine State Housing Authority shall submit a report, including suggested legislation with statutory language and budgetary requirements, with the authority's proposal for a program promoting home ownership by reducing education debt to the joint standing committee of the Legislature having jurisdiction over innovation, development, economic advancement and business matters by December 1, 2021. The joint standing committee may report out a bill based on the report to the Second Regular Session of the 130th Legislature.

APPENDIX B

MaineHousing
MAINE STATE HOUSING AUTHORITY

The Maine State Housing Authority (MaineHousing) is an independent authority created by the Maine State Legislature in 1969 to address problems of unsafe, unsuitable, overcrowded, and unaffordable housing. At its core, the agency couples the efficiencies of the private financial markets with public purpose goals to provide affordable home ownership and rental housing opportunities for Maine people.

Since inception, the agency has been asked to handle additional responsibilities on behalf of the state. As a result, MaineHousing administers a number of federal housing-related programs, including the Low Income Housing Tax Credit Program, the Section 8 Rental Assistance programs, the Emergency Solutions Grant Program, the Weatherization Program, the Low Income Home Energy Assistance Program, and others. Such programs reduce the costs associated with housing for Maine people.

FAME
FINANCE AUTHORITY OF MAINE

The Finance Authority of Maine (FAME) is a quasi-independent state agency that provides innovative financial solutions to help Maine citizens pursue business and educational opportunities. FAME helps to lead the creation of good paying jobs for Maine citizens by working at the nexus between economic and workforce development. To learn more about FAME, please visit www.FAMEmaine.com

SMARTBUY

IHDA MORTGAGE

Student Loan Debt Relief

PURPOSE	To assist homebuyers affected by increasing student loan debt with purchasing a home in Illinois. The Illinois Housing Development Authority (IHDA), IHDA Mortgage, offers SmartBuy. This down payment assistance (DPA) is offered as a 2^{nd} mortgage in conjunction with a promissory note for 15% of the purchase price (up to $40,000) for student debt relief for qualified borrowers.
DATE	Reservations for IHDA Mortgage – SmartBuy will open in Fall 2020 and run until IHDA has exhausted funds and closed the program for reservations in TPO Connect.
USAGE	The student loan debt relief funds provided are in the form of a promissory note and deed restriction for an owner-occupied, primary residence purchase. The DPA 2^{nd} can be used for closing cost and/or down payment. All assistance must be used with an IHDA 30-year fixed rate 1^{st} mortgage. Please note: with all IHDA Mortgage programs, cash back at closing for borrowers may not exceed $250 + plus any amount over their required minimum investment (any additional should be principal reduction).
DOWN PAYMENT ASSISTANCE	The DPA or "assistance" amount shall be recorded as a 2nd mortgage and can be used to cover down payment and/or closing costs. Assistance is limited to $5,000. The 2^{nd} mortgage term shall be 30 years. The full principal balance of $5,000, less any optional payments, is due upon the sooner of the maturity date or repayment of the 1^{st} mortgage. The 2^{nd} mortgage may be pre-paid at any time without penalty. The 2^{nd} mortgage may not be re-subordinated.
STUDENT LOAN DEBT RELIEF	The funds will be in the form of a promissory note of up to 15% of the purchase price, not to exceed $40,000. This will be used to completely pay off a borrower's outstanding student debt balance at the time of home purchase. It will be forgiven at a rate of $1/36^{th}$. In addition, a deed restriction will require that the borrower sell to a household that qualifies under IHDA income and purchase price limits if sold within the first three years.
PAYMENTS	• The 2^{nd} mortgage will have no monthly payment. Full repayment of the 2^{nd} will be due upon the sooner of the maturity date or repayment of the 1^{st} mortgage (including refinance or sale of the property), or other qualifying repayment events. (Review Mortgage and Note for full terms.) • The promissory note will have no monthly payment and is forgiven at $1/36^{th}$ (remainder due upon sale or refinance if the event takes place within the first 3 years from the settlement of the first mortgage).
INTEREST RATE (SET BY IHDA)	Daily IHDA rates apply on the 1^{st} mortgage. The 2^{nd} mortgage carries 0% interest.
MINIMUM BORROWER INVESTMENT	The greater of 1% or $1,000 of the purchase price. (The borrower may not use the tax proration toward the borrower's contribution of 1% or $1,000.00 (whichever is greater) into the transaction, those funds must be from the borrower's own funds or from gift funds (if allowable per Fannie Mae guidelines.) Please defer to the IHDA Mortgage Program Matrix and Procedural Guide for details.
REPAYMENT AND RECAPTURE	The funds will be forgiven pro rata on a monthly basis over a 3-year forgiveness period ($1/36^{th}$) in the form of a **promissory note**. A **deed restriction** for three years will require the borrower to sell to a household that qualifies under IHDA income and purchase price limits if sold within the first three years. The **2^{nd} mortgage** DPA funds will be 0% deferred. The DPA 2^{nd} is required to be used in conjunction with an IHDA 30-year fixed rate 1^{st} mortgage. The **1^{st} mortgage** will carry a 30-year term and must carry Private Mortgage Insurance as may be required for FNMA HFA Preferred. All may be subject to repayment or recapture depending on terms of legal documents.
INCOME REQUIREMENTS	**Borrower's income must be at or below the limits** of the county in which the property is located. The lenders must calculate income using the calculator posted on The Document Library to qualify for IHDA Mortgage DPA.

FINANCING THE CREATION AND PRESERVATION OF AFFORDABLE HOUSING IN ILLINOIS.

BORROWER ELIGIBILITY	• May be a first time or non-first-time homebuyer purchasing a primary residence in Illinois • Minimum credit score – 640 • Maximum total debt-to-income (back end) ratio of 45.00% for all loan types • IHDA income and property purchase price limits apply • Must meet the student loan debt requirements below • FNMA HFA Preferred only • DACA recipients may be eligible as permitted by agency. • Property must be a qualified single-family dwelling (this includes condos, townhomes, and 2-units as allowed by Agency) • Pre-purchase homeownership education meeting standards defined by HUD or the National Industry Standards for Homeownership Education and Counseling is required for each borrower - PRIOR TO CLOSE (PTC) - or the loan is unsaleable • No manufactured homes Borrowers must meet all eligibility requirements established for the IHDA Mortgage programs, U.S. Bank overlays, and Fannie Mae guidelines.
STUDENT LOAN DEBT REQUIREMENTS	• Minimum remaining student loan debt balance of $1,000 and up to a maximum of 15% of the purchase price or $40,000, whichever is lower. • The student loan must be in the name of the borrower for the borrower's education. • The loan included in the statement must be easily identifiable as a student loan • The debt must be from 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 postsecondary 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 full student debt for at least one borrower must be entirely paid off at the time of the home purchase. • 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; either a borrower's loans are fully paid off, or not at all. • The full outstanding balance of the student debt of the borrower (which shall not exceed 15% of the purchase price or $40,000, whichever is lower) must be paid off as part of closing. This will be done by the title agency that closes the loan and immediately upon payment.
DISCLOSURE OF FUNDS	The 1st & 2nd mortgages require **TRID** (TILA-RESPA-INTEGRATED DISCLOSURE). On the 2nd mortgage, only recording fees are allowed. The student loan debt relief that is being covered in the SmartBuy transaction would be input into DU as "unsecured, no payment, forgivable personal loan".

DISCLAIMER

The terms and conditions are subject to change until the lender locks the loan in TPO Connect. A potential borrower should contact an approved lender for further loan information. In connection with the IHDA Down Payment Assistance programs, IHDA makes no promises, representations, or warranties to any party, including any borrower, about the actual benefit an IHDA 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.

SMARTBUY
Alivio de deuda estudiantil

IHDA MORTGAGE

Propósito	Asistir compradores de casa que son afectados por préstamos estudiantiles que desean comprar una casa en Illinois. La Autoridad de Desarrollo de Vivienda de Illinois (IHDA), IHDA Mortgage, les ofrece SmartBuy. Esta asistencia de cota inicial (DPA) sería en forma de una hipoteca segundaria en conjunto con un contrato de promesa de pago, les ofrece el 15% del precio de compra (hasta $40,000) para asistirles en el alivio de deuda estudiantiles para compradores calificados.
Fecha	Reservaciones para IHDA Mortgage-SmartBuy empezará en el otoño de 2020 y continuará hasta todos los fondos sean agotados y/o el programa se cierra in TPO Connect.
Aplicación	Los fondos del alivio de deuda estudiantiles son proporcionados en forma de un contrato de promesa de pago y una restricción de escritura para prestamistas que ocupan su residencia principal. La asistencia de cota inicial (DPA) puede ser utilizada para costos de cierre y/o cota inicial. Toda la asistencia debe ser utilizada con una primera (1) hipoteca de IHDA de plazo de 30 años e interés fijo. Tenga en cuenta: con todos los programas hipotecarios de IHDA, los compradores no pueden recibir una devolución de dinero que excede $250 + más su inversión mínima (algo adicional debe ser utilizado como reducción principal).
Asistencia de cota inicial	La DPA o monto de asistencia será registrada como hipoteca segundaria y puede ser utilizada para su cota inicial y/o costos de cierre. La asistencia será limitada a $5,000. La hipoteca segundaria tendría un plazo de 30 años. El saldo de los $5,000, menos pagos opcionales, vence en la fecha de vencimiento o la terminación de las cotas de la primera hipoteca, lo que ocurra más temprano. La hipoteca segundaria puede ser prepagada sin multa. La hipoteca segundaria no puede ser re subordinada.
Alivio de deuda de préstamos estudiantiles	Los fondos serán garantizados por el contrato de promesa de pago, el 15% del precio de compa hasta el máximo de $40,000 cualquiera sea menor. Los fondos serían utilizados para pagar completamente los préstamos estudiantiles del comprador. El monto pagado será perdonado a un ritmo de 1/36. Adicionalmente, una restricción de escritura requerirá que, si el hipotecario venda su casa, lo tendrá que vender a otro comprador que sea calificado bajo de los requisitos de IHDA de ingresos y límite de precio de compra durante los primeros 3 años.
Pagos	• La hipoteca segundaria no tendrá pagos mensuales. Reembolso total de la hipoteca vence el día de vencimiento o el reembolso de la primera hipotecario (incluyendo refinanciamiento o venta de la propiedad) lo que ocurra más temprano. (Favor revisar los términos de la hipoteca y el contrato de pago (la nota)) • El contrato de promesa de pago no tendrá pagos mensuales y sería perdonado a un ritmo de 1/36 mensualmente (el saldo sería reembolsado si la casa se vende o sea refinanciada durante los primeros 3 años.)
Porcentaje de Interés (determinado por IHDA)	Interés diario de IHDA sería aplicable en la primera hipoteca. La segunda hipoteca tendría una taza de 0% de interés.
Inversión mínima del prestamista	Lo mayor del 1% o $1,000 del precio de compra. El prestamista no puede utilizar el prorrateo de impuestos de propiedad como su contribución del 1% o $1,000 (cual sea mayor) para la transacción, estos fondos son obligatorio que sean del prestamista o fondos de regalo (si es permitido por reglamentos de Fannie Mae.) Favor difiere se a IHDA Mortgage Program Matrix and Procedural Guide para los detalles.
Requisito de ingreso	**El ingreso del comprador no debe sobre pasar los límites** del condado donde la vivienda este localizada. Los prestamistas deben calcular el ingreso utilizando la calculadora en la biblioteca de documentos de IHDA Mortgage DPA.
Repago y recuperación	Los fondos serán perdonados a un ritmo de (1/36) mensualmente basado en un periodo de 3 años en forma del contrato de promesa de pago. La restricción de escritura requerirá que, si el hipotecario venda su casa, lo tendrá que vender a otro comprador que sea calificado bajo de los requisitos de IHDA de ingresos y límite de precio de compra durante los primeros 3 años.

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ELEGIBILIDAD DEL PRESTAMISTA	Los fondos de la hipoteca secundaria con una taza de 0% interés será diferido. Los fondos de la DPA son obligados para ser utilizado con una primera hipoteca de IHDA con un plazo de 30 años. La primera hipoteca tendrá un plazo de 30 años y debiese llevar un seguro de hipoteca privado o como requerido por FNMA HFA preferido. Todo puede ser recuperado bajo los términos de pago o dependiendo de los documentos legales. • Puede ser un comprador de vivienda por primera vez o comprador que haiga comprado anteriormente (posterior de tres años) que está comprando su vivienda principal localizada en Illinois. • Puntaje de crédito mínimo – 640 • Proporción máxima de deuda total a ingresos para todos los tipos de préstamos no debe sobre pasar el 45%. • Límites de ingreso y precio de compra de IHDA son aplicables. • Debe cumplir con los requisitos de deuda de préstamos estudiantiles. • FNMA HFA Preferred solamente • Los beneficiaros de DACA pueden ser elegibles según lo permita la agencia. • La propiedad debe ser una vivienda unifamiliar calificada (esto incluye condominios, casas adosadas y 2 unidades según lo permita la agencia) • Se requiere asesoramiento educacional de vivienda que sea definido al estándar de HUD o el estándar nacional de industria previo de la compra de vivienda para cada prestatario antes del cierre o el préstamo no se puede vender. • Casas manufacturado no son eligibles Los prestatarios deben cumplir con todos los requisitos de elegibilidad para los programas de hipotecarios de IHDA, las superposiciones de Fannie Mae, y las pautas de US Bank.
REQUISITOS DE DEUDA DE PRÉSTAMOS ESTUDIANTILES	• Saldo mínimo restante del préstamo estudiantil de $1,000 y hasta un máximo del 15% del precio de compra o $40,000, lo que sea menor. • El préstamo estudiantil debe estar en el nombre del prestatario para la educación del prestatario. • El préstamo incluido en el estado de cuenta debe ser fácilmente identificable como un préstamo para estudiantes y debe ser parte de los prestamos enumerados en el informe de crédito del prestatario. • La deuda debe ser de una institución educativa elegible que sea un colegio, universidad, escuela vocacional u otra institución educativa postsecundaria publica acreditada, sin fines de lucro o propiedad privada (con fines de lucro). Además, la institución debe ser elegible para participar en un programa de ayuda estudiantil administrado por el Departamento de Educación de los Estados Unidos. (La mayoría de las instituciones postsecundarias acreditadas cumplen con esta definición.) • Un estado de cuenta mensual o verificación del prestamista/administrador de préstamos para estudiantes (los préstamos personales de individuos privados no califican) que verifique el monto de la deuda debe estar en el archivo del préstamo. (El prestamista es la organización que otorgo el préstamo inicialmente; el prestamista podría ser la escuela del prestatario; un banco, cooperativa de crédito u otra institución crediticia; o el Departamento de Educación.) • La deuda total del préstamo estudiantil de al menos un prestatario debe pagarse por completo en el momento de la compra de la vivienda. • Si la deuda estudiantil de ambos prestatarios se puede pagar, eso está permitido, pero el reembolso parcial del préstamo no estará disponible bajo este programa; o el préstamo de un prestatario se cancela en su totalidad o no se paga. • El saldo total pendiente de la deuda estudiantil del prestatario (que no excederá el 15% del precio de compra o $40,000, lo que sea menor) debe liquidarse como parte del cierre. Esto lo hará la agencia de títulos que cierra el préstamo e inmediatamente después del pago,
DIVULGACIÓN DE FONDOS	Las hipotecas primera y secundaria requieren divulgación integradas de TRID-RESPA. En la segunda hipoteca, solo se permiten tarifas de registro. El alivio de la deuda de préstamos estudiantiles debe divulgarse en DU como "préstamo(s) que no sea asegurado, que no tenga pago mensual, y que sea un préstamo perdonado".

DESCARGO DE RESPONSABILIDAD

Los términos y condiciones están sujetos a cambios hasta que el prestamista bloquee el préstamo en TPO Connect. Un prestatario potencial debe comunicarse con un prestamista aprobado para obtener más información sobre el préstamo. En relación con los programas de asistencia para el pago inicial de IHDA, IHDA no hace promesas, represalias ni garantías a ninguna de las partes, incluido cualquier prestatario, sobre el beneficio real que un préstamo de IHDA podría proporcionar en situaciones específicas. La situación de cada prestatario es diferente y los prestatarios potenciales deben buscar el consejo de un asesor financiero, abogado o consejero de vivienda antes de entrar cualquier préstamo.

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MARYLAND MORTGAGE
Making Homeownership Affordable

Maryland SmartBuy 3.0

Maryland Mortgage Program financing for homebuyers with student debt

August 1, 2021

PURPOSE

- Designed to assist eligible homebuyers with student debt to purchase homes and to manage overall housing expenses.

- Interest rate for the first mortgage is the same as the conventional insured mortgage interest rate offered under the Maryland Mortgage Program. The SmartBuy rate is posted on our rate sheet online: https://mmp.maryland.gov/Lenders/Pages/Interest-Rates.aspx

SMARTBUY 3.0 OVERVIEW

- Any MMP-eligible property statewide
- Cap of $30,000 on student debt payoff
- Lender funds all loans and gets reimbursed for both the unsecured second loan and the optional DPA loan the same way as regular MMP DPA loans

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PRODUCT STRUCTURE

--Two Loans (one secured, one unsecured)

- 1st Loan: A conventional amortizing **mortgage** of 95% of the sales price. This is a normal MMP loan.

- 2nd Loan: A **forgivable loan** up to 15% of the purchase price, which will be used to pay off the student debt. This is a 0% deferred loan with no payments, forgivable over 5 years at 20% per year. The balance becomes due upon sale or refinance. This is an unsecured loan with a Promissory Note to the Community Development Administration (CDA).

OPTIONAL 3RD LOAN (SECURED) FOR CLOSING COSTS OR DOWNPAYMENT

- $5,000 in Down Payment Assistance (DPA) in a zero percent deferred **mortgage**, second lien position
- Borrower must bring a minimum of 5% of the sales price to closing as down payment. The DPA loan can be used for this purpose.

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GENERAL PROGRAM ELIGIBILITY

- Borrowers may be single or married. If married, both spouses are not required to apply, but will be included in the household income calculation. If separated, a Separation Affidavit must be completed.

- Must intend to occupy the property as the principal residence within 60 days of closing.

- Cannot own any other real property **ANYWHERE** at the time of closing.

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GENERAL PROGRAM ELIGIBILITY

- Must be a first-time homebuyer or qualify for an exception by:
  - Not having owned a residence for three years;
  - Purchasing in a targeted area; OR
  - Being a veteran using their exemption for the first time.

- All customary underwriting standards and requirements related to student debt apply and will be used to qualify the homebuyers. All usual MMP standards must be met, i.e. credit score, income and purchase price limits, asset limits, etc.

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SMARTBUY 3.0 ELIGIBILITY

- Maximum Combined Loan-to-Value is 105% (normal conventional loan)
- 720 Middle Credit Score, max 45% DTI for loans with LTV ≥75%
- All overlays of servicers and insurers not specifically addressed in the fact sheet apply.

BORROWER STUDENT DEBT ELIGIBILITY

- Eligible borrower student debt must be greater than $1,000 and up to 15% of the home purchase price
- Outstanding balance of all existing student loans for at least one borrower must be paid off fully at closing (no partial loan payments—all or nothing)
- If it can be done within the maximum loan amount, the full debt for both borrowers can be paid off.
- A borrower may pay down their student debt to reach an eligible amount

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ELIGIBLE STUDENT DEBT LOANS

- Student debt loan must be documented in a monthly statement or verification from the student loan lender/servicer (no personal loans) who initially made the loan: school, bank, credit union, or other banking institution in the United States, or the U.S. Department of Education
- Loan must be in the name of the borrower for the borrower’s education (not borrower’s children, family etc.)
- Loan must be current; it may be in repayment or deferred status

ELIGIBLE EDUCATIONAL INSTITUTIONS

- Borrower student debt must be for an eligible educational institution (any accredited public, nonprofit, or proprietary college, university, vocational school, or other postsecondary educational institution) in the United States that is eligible to participate in a student aid program administered by the U.S. Department of Education

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