



# SoftSecond<sup>®</sup> Loan Program Program Guidelines

## I. Program Overview

The objective of the program is to provide “SoftSecond” loans to low- and moderate-income first-time homebuyers, to reduce their first mortgage amounts and to lower their initial monthly costs so that they can qualify to purchase a home in Massachusetts. The participating lender underwrites both the first mortgage for up to 77% of the purchase price, and a second mortgage for the greater of 20% of the purchase price or \$20,000. The borrower pays the entire principal and interest on the first mortgage. The principal payments on the second mortgage are deferred for 10 years and a portion of the interest costs for eligible borrowers is paid by public funds. The borrower does not pay mortgage insurance and public funds provide a loan loss reserve for participating lenders. Public entities, including the Commonwealth of Massachusetts, acting through the Department of Housing and Community Development (DHCD), the Massachusetts Housing Partnership Fund (MHP), and individual cities and towns contribute to the pool of public funds for the interest subsidy and loan loss reserve payments.

## II. Program Mechanics

Potential homeowners will contact participating homebuyer education agencies, communities and lenders directly for information about the SoftSecond Loan Program. Many communities provide homebuyer education courses, down payment and closing cost assistance and borrower counseling services. After homebuyers have contacted their local community or homebuyer education agency, lenders reserve funds for eligible buyers by electronically submitting the borrower’s information to MHP. Determination of income eligibility and reservation of public subsidy funds will be made by MHP based on information provided by the applicant to the participating lender.

Once a reservation is made, the household has 60 days to locate a home and complete a mortgage application for the first and second loans with a participating lender. At this time, the bank verifies income, assets and credit records. If the household qualifies for the loans, the bank has 30 days to issue a commitment letter. In the event that the household fails to obtain and accept a commitment letter within 90 days from the date of the subsidy reservation, the subsidy reservation expires. Upon written request, reservations may be extended for applications in process at the time of expiration.

The program is open on a competitive basis to any lending institution that wishes to participate in the SoftSecond Loan Program, with priority given to lenders that offer competitive borrower interest rates. MHP requires that both mortgages be offered at a rate not exceeding the participating lender’s current 30-year, 2-point rate (no points are charged.)

## III. Borrower & Property Eligibility Requirements

### First-time Homebuyer Status:

A first-time homebuyer is defined as an individual who has not had an ownership interest in a principal residence in the prior three years. SoftSecond borrowers must not have an ownership interest in any other residential dwelling at the time of application with their lender. All household members, including the Mortgagor, the Mortgagor’s spouse, fiancée, domestic partner or any person age 18 or older who expects to occupy the property, must be first-time

homebuyer(s). Some exceptions apply and are detailed below. All household members (age 18 or older) must provide three years of tax returns, or executed Income Tax Affidavit(s) stating that they were not required to file and the reason why they were not required to file, as evidence of first time homebuyer status.

If the borrower does not meet the First-Time Homebuyer status, the lender must notify MHP in advance of a Reservation Approval that the potential homebuyer qualifies for the SoftSecond Loan Program based on one of the criteria noted below and must provide MHP with the supporting documentation listed below. MHP will review the supporting documentation and confirm in writing that the individual does qualify for the SoftSecond Loan Program.

**Displaced Homemaker**- an individual who has owned a home with his or her partner or resided in a home owned by the partner and is a “displaced homemaker”. The term “displaced homemaker” is defined as an adult who has not worked full-time, full-year in the labor force for one or more years, during such years, worked primarily without remuneration to care for the home and family.

*Required Documentation: three years of tax returns showing that substantial income derived from partner or that the individual’s income is within the program guidelines and if currently working, pay stubs.*

**Single Parent**- an individual who has owned a home with his or her partner or resided in a home owned by the partner and is a “single parent.” The term “single parent” is defined as an individual who is unmarried or legally separated from a spouse, and has:

- 1 or more minor children for whom the individual has custody or joint custody; or
- is pregnant.

*Required documentation: Three years of tax returns with the current tax return indicating single marital status and at least one dependent child; or legal divorce or separation papers and a current tax return indicating exemptions for child or children in custody; or filed separation papers or legal custody agreement that clearly define the custody arrangement and division of assets of the household and indicates joint or full custody by the prospective SoftSecond borrower; or letter from doctor indicating pregnancy.*

**Dwelling Unit Structure**- an individual who owned or owns, as a principal residence, a dwelling unit whose structure is:

- Not permanently affixed to a permanent foundation (i.e. mobile home, houseboat), or
- Not in compliance with State, local, building or sanitary codes, and cannot be brought into compliance with such codes for less than the cost of constructing a permanent structure.

*Required documentation: executed lease for the space upon which the structure sits and an official state or local inspection report noting non-compliance and contractor estimates indicating cost of necessary repairs.*

### **Homebuyer Education Courses:**

The borrower must complete a pre-purchase homebuyer education course at an agency certified by the Massachusetts Homeownership Collaborative before closing on their SoftSecond loan. A list of approved homebuyer education agencies can be found at [www.chapa.org](http://www.chapa.org). In accordance with the policy of the Homeownership Collaborative, pre-purchase homebuyer education is offered in a group setting for a minimum of eight (8) hours. One-on-one counseling should be viewed as an exception to that requirement.

Buyers must also agree to take an approved, in-person post-purchase education course within one year of their closing date. A list of pre- and post-purchase education providers can be found on the MHP website at [www.mhp.net](http://www.mhp.net). A current calendar of upcoming post-purchase education classes can be found at [www.chapa.org](http://www.chapa.org).

**Qualifying Household Income:**

The annual income of all adult household members must be within the program income limits for the community where the property is located. A household member is defined as the Mortgagor, the Mortgagor's spouse, fiancée, domestic partner, and any person age 18 or older (and not a full time student), and who expects to occupy the property.

For purposes of SoftSecond income eligibility, household members and dependent children who expect to occupy the property should be included in the MHP total household size. An income table is included in the program manual and on the MHP website at [www.mhp.net](http://www.mhp.net). Household income should be projected in accordance with HUD's Section 8 guidelines at the time the reservation application is submitted.

For compliance purposes, MHP will assist lenders in evaluating unusual and/or temporary reductions in income on a case by case basis prior to the Reservation process. All income earned by all household members must be reported and verified. Total assets of all household members must also be reported and verified at this time.

**Asset Test:**

The borrower's total household liquid assets cannot exceed \$75,000. Assets will include the total of funds to be used for down payment and reserves and must be reported at the time of reservation application. Applicants with assets greater than \$75,000 at the time of MHP application do not qualify for the SoftSecond Loan Program.

Assets are considered:

- savings and checking accounts,
- stocks,
- bonds,
- gifted money, including gifts of equity<sup>1</sup>
- other forms of capital investments, including Roth IRA's
- Real property (land owned or bequeathed).

Retirement accounts such as 401(k), 403(b), 457 and IRA accounts, as well as any government approved college savings plan are not liquid assets and do not count toward the SoftSecond Asset Test.

**Property Type:**

The SoftSecond Loan Program can only be used for the purchase of condominiums, single-family, two-family, and three-family properties.

**Primary Residence:**

The borrower must use the property as the primary residence for the term of the loan. A SoftSecond homeowner's failure to use the property as his or her primary residence at any time during the term of the loan will constitute a violation of their obligations under the SoftSecond Loan Program.

Participating lenders should promptly notify MHP if there are reasonable grounds to suspect non-compliance (e.g. homeowner requests change of mailing address). MHP expects the lender to request evidence of the borrower's primary residence and to notify the borrower that they are in violation of the SoftSecond Loan Program requirements if non-compliance is confirmed. If non-compliance is suspected, MHP will contact the homeowner to request evidence of their primary residence (e.g. a driver's license or voter registration certificate). If non-compliance is confirmed, MHP will notify the homeowner that he or she is in violation of their obligations under the SoftSecond Loan Program and in default of the Subsidy Note, if applicable, and will take any other actions deemed necessary and appropriate by MHP.

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<sup>1</sup> If the purchase is not an arm's length transaction, the lender must submit a current market appraisal to MHP prior to reservation approval.

## IV. Mortgage Structure and Terms

### First Mortgage:

The first mortgage is a conventional 30-year, fixed-rate loan originated by the participating lender. The maximum loan to value is no greater than 77%, eliminating the need for mortgage insurance. The maximum interest rate is the participating lender's 30-year fixed rate with two origination points. No points will be charged to the borrower. Lenders are encouraged to offer discounts, and priority for participation will go to lenders that offer the most competitive rates.

### Second Mortgage:

The second mortgage will also be originated by the participating lender and will be offered at lender's 30-year fixed rate with two origination points. No points will be charged to the borrower. The second mortgage amount is the greater of (a) \$20,000 or (b) 20% of the purchase price. The second mortgage will have a 30-year term but will amortize over 20 years. For the first 9 years, the second mortgage will be interest-only, and public funds may be used to supplement interest payments for qualified borrowers, as specified below. In the 10<sup>th</sup> year, the borrower will be responsible for paying the full interest-only payments.) Beginning in the 11th year, the second loan will begin amortizing and the borrower will be responsible for the full amount of the monthly payments.

### Third Mortgage (If applicable):

Through MHP, the public sector will provide the minimum interest subsidy needed by the borrower to maintain a housing expense to income ratio of 28% over the first nine years of the loan.

- a) Borrowers will qualify for differing amounts of public subsidy. Many borrowers may not need any interest subsidy. For borrowers who receive the subsidy, the "phasing out" of subsidy over time will result in a gradual increase in the borrower's share of the second mortgage payments.
- b) Borrowers will not receive any interest subsidy if their income is above 80% of area median income, or if they are making a down payment of 20% or more, or if their income is high enough to fully cover the monthly costs of both the first and second mortgages on a desired house **or if they are buying a three family property.**
- c) Years 1-5: the initial public subsidy contribution will be no greater than 75% of the full interest due on the second mortgage and will be calculated by the MHP Fund as follows:
  1. Multiply the borrower's gross income by 28% to determine the target amount to be dedicated to housing expenses.
  2. From this target monthly payment amount, subtract the first mortgage principal and interest payment which must be made by the borrower, plus the cost of real estate taxes, hazard insurance, and, if applicable, condo fees. The remaining amount is what the borrower has "leftover" to put towards the second mortgage payment and still remain at the target housing ratio of 28%. This amount will be the borrower's portion of the second mortgage interest payment. If there is nothing "leftover," the borrower will pay a minimum of 25% of the interest due on the second mortgage.
  3. Public subsidy will pay the difference between the borrower's monthly contribution to the second mortgage and the full monthly cost of the interest-only payment (within certain limits as listed below.) Public funds will pay for a maximum of 75% of the total interest due on the second mortgage.

Years 6–10: The public subsidy contribution will be reduced gradually over years 6-10 as the below schedule below indicates. The borrower's payment will increase as the public subsidy decreases. (Continued)

Year 6: subsidy pays 80% of the calculated amount in years 1-5  
Year 7: subsidy pays 75% of the amount paid in year 6  
Year 8: subsidy pays 67% of the amount paid in year 7  
Year 9: subsidy pays 50% of the amount paid in year 8  
Year 10: subsidy pays 0%

In no event will the total of the loan loss reserve and public interest subsidy provided by the SoftSecond Loan Program exceed \$12,000 per borrower.

**Down Payment and Reserves:**

If the borrower obtains any portion of the down payment funds from another source, the gift or grant must be in accordance with Fannie Mae guidelines.

Borrowers with down payments of 20% or more of the purchase price, totaling less than \$75,000 (either cash or gift) who meet all other guidelines, qualify for the loan but will not qualify for subsidy.

**Single Families and Condominiums:**

The total down payment must be 3% of the purchase price. In all circumstances, the borrower must contribute at least 1.5% (or minimum of \$1500 on purchase prices below \$100,000) of the purchase price from their own seasoned funds. The borrower's 1.5% down payment contribution must be available to the borrower from the time of application until the time of closing.

**Two Family Properties:**

The total down payment must be 3% of the purchase price. In all circumstances, the borrower must contribute at least 1.5% (or minimum of \$1500 on purchase prices below \$100,000) of the purchase price from their own seasoned funds. The borrower's 1.5% down payment contribution must be available to the borrower from the time of application until the time of closing.

One month of reserves (defined as one month of PITI) is required for borrowers purchasing two-family properties.

**Three Family Properties:**

The total down payment must be 5% of the purchase price. In all circumstances, the borrower must contribute at least 3% (or minimum of \$3000 on purchase prices below \$100,000) of the purchase price from their own seasoned funds. The borrower's 3% down payment contribution must be available to the borrower from the time of application until the time of closing.

Two months of reserves (defined as two months of PITI) are required for borrowers purchasing three-family properties.

**Loan Loss Reserve:**

The SoftSecond Loan Program will provide a Loan Loss Reserve equal to 3% of the second mortgage. This amount will be deposited in an account managed by MHP. In the event of an unrecovered loss on the second mortgage as a result of foreclosure, the lender has access to the loan loss reserve funds allocated for all loans originated by that lender under the SoftSecond Loan Program. Refer to the Loan Loss Reserve Agreement for loss recovery details and procedures. For loss recovery resulting from short sales, deeds-in-lieu of foreclosure or first mortgage foreclosures, please contact MHP for further guidance.

**Mortgage Insurance:**

Since the first mortgage will have a loan-to-value ratio at or below 77%, private mortgage insurance will not be required. This provides a substantial cost savings to the borrower and provides greater flexibility in loan underwriting.

**Closing Costs:**

Closing costs are as negotiated between the borrower and the lender. Lenders are encouraged to offer discounted closing costs for SoftSecond borrowers.

**V. Underwriting Guidelines**

The general underwriting criteria of the SoftSecond Loan Program are designed to be consistent with the terms and conditions provided in the Fannie Mae Selling Guide. Participating lenders intending to deliver the first mortgage loans to Fannie Mae are instructed to comply with Fannie Mae's guidelines.

The following list highlights important eligibility and underwriting criteria to which lenders must pay close attention:

- Maximum mortgage amounts;
- Combined loan to value requirements;
- Cash reserve requirements;
- Seller contributions;
- Non-permanent resident aliens;
- General eligibility requirements for condominiums, except as noted below
- Part-time or multiple jobs;
- Alimony/ child support;
- Foster care services;
- Contingent liabilities.

**Underwriting Income:**

Underwriting income used for SoftSecond income qualification purposes must be consistent with Fannie Mae underwriting standards, as described in the Fannie Mae Selling Guide. Underwriting may vary from compliance income. Please see Section III "Qualifying Household Income" for information on calculating compliance income.

## **Minimum Credit Standards:**

### Minimum Representative Score

Borrowers must have a minimum representative credit score of 660 if purchasing a single family property or condominium and 680 if purchasing a two- or three-family property.

### Nontraditional Credit

MHP will allow exceptions to the minimum representative credit score requirement only for those borrowers with insufficient traditional credit history. For borrowers with insufficient traditional credit history, as documented in the credit report by reasons that indicate a lack of credit accounts, accounts not opened long enough, lack of usage for a low score, the lender may supplement the traditional credit file with the development of an acceptable nontraditional credit profile as described below:

- A minimum of three sources of nontraditional credit that have been active for at least 12 months:
  - One of the sources must be housing related, including canceled rent checks or electronic bank records documenting timely payments showing the landlord as the payee,
  - One of the sources must be a utility company, as documented by canceled checks, money order receipts or electronic bank records showing the utility company as the payee, and
  - The remaining source may be any reasonable service or purchase as long as the repayment terms are in writing and the borrower can provide canceled checks, money order receipts or electronic bank records showing the creditor as the payee to document the payments.
- No history of delinquency on rental housing payments within the last twelve months
- Only one account, excluding rental payments, may have a 30-day delinquency in the last 12 months,
- No collections or judgments (other than medical collections) filed within the past 24 months. Any/all judgments must be satisfied. Collection accounts (including medical) in excess of \$250 per individual account or \$1000 in the aggregate must be paid in full.

For borrowers with a sufficient amount of trade lines to obtain a credit score where the score does not meet the minimum scores above, exceptions will be reviewed only if the low score is documented on the credit report as being caused by a lack of credit accounts, accounts not opened long enough or lack of usage. MHP will not review alternative credit profiles or supplements for borrowers with low score(s) due to derogatory credit histories.

### **Prior Bankruptcy or Foreclosure:**

For borrowers with traditional or nontraditional credit that have a prior bankruptcy or foreclosure in his or her credit history, s/he must have re-established credit that satisfies the above requirements and satisfies the applicable waiting period: foreclosure – 7 years, pre-foreclosure sale – 7 years, short-sale – 7 years, deed-in-lieu of foreclosure – 7 years, bankruptcy – 4 years and multiple bankruptcy filings – 5 years.

## Condominiums and Single Family Properties:

### Maximum Debt to Income Ratios

	<b>Housing-to-Income Ratio</b>	<b>Total Obligation-to-Income Ratio</b>	<b>Compensating Factors Required?</b>
Tier 1	33%	38%	No
Tier 2	38%	43%	Yes - see below

#### **Tier 1**

The borrower's housing expense-to-income ratio should not exceed 33% and the maximum total obligations-to-income ratio should not exceed 38%. Any loan with ratios below 33%/38% is considered a Tier 1 loan.

#### **Tier 2**

MHP will review condominium and single family loans with ratios up to 38%/43%, but three compensating factors are required. Examples of compensating factors include: a minimum representative credit score that exceeds the minimum requirements, a minimum of two months of reserves (liquid funds available after closing), a maximum payment shock of 20% (percentage change between pre-mortgage housing obligation and total PITI) documented by 12-months of rent checks, or substantial employment stability.

### **Insurance Coverage**

An HO-6 Policy, known as "walls-in" coverage, is required when the Master Insurance Policy does not cover walls-in and fixtures. The policy must be presented at closing and paid in full for the first year. The cost of the HO-6 Policy must be included in the calculation of ratios.

### **Pre-Sale Requirements**

- **Market Rate Projects:** All units in established market-rate projects will follow FNMA pre-sale<sup>2</sup> and owner occupancy ratios as well as general project eligibility requirements.
- **Small Projects:** All units in two to four unit market projects must meet the following pre-sale requirements: for two unit properties at least one unit must be presold to a principal resident; for three unit properties at least one unit must be presold to a principal resident; and for four unit properties at least two units must be presold to a principal resident;
- **100 Percent Deed Restricted/Affordable Project:** Exceptions to the FNMA pre-sale restriction will be reviewed on a case-by-case basis by MHP. An approved current market-study (completed within 12-months of purchase) substantiating affordable purchase prices that are satisfactorily below market value will be required by MHP in advance of a Reservation approval.
- **Mixed Market-rate/Deed Restricted Project:** MHP will review exceptions on a case-by-case basis if at least 51% of the market units are pre-sold. An approved current market-study (completed within 12-months of purchase) substantiating market-rate purchase prices that are satisfactorily market value, and affordable purchase prices that are satisfactorily below market value, will be required by MHP in advance of a Reservation approval.

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<sup>2</sup> Pre-sale is defined as having a fully executed Purchase and Sale Agreement with earnest money deposit given and evidence that all mortgage contingencies have been met.



## **Two- and Three-Family Properties**

*The following ratio calculations replace MHP's prior multifamily ratio tests.*

### Two-Family Maximum Ratios:

- **Maximum 45% Housing-to-Income Ratio**  
=  $\text{PITI} / \text{underwriting income} + 65 \text{ percent of projected rental income}$
- **Maximum 50% Debt-to-Income Ratio**  
=  $\text{PITI} + \text{other monthly debt} / \text{underwriting income} + 65 \text{ percent of projected rental income}$

### Three-Family One Ratio Test:

- **Maximum 50% Debt-to-Income Ratio**  
=  $\text{PITI} + \text{other monthly debt} / \text{underwriting income} + 65 \text{ percent of projected rental income}$

For all three-family approvals, a one-on-one counseling session with an approved counseling agency is required prior to closing. MHP will not process a Reservation or Final Application approval for a three-family property until a multifamily eligibility certificate is remitted from the approved agency to MHP on the applicant's behalf.

Home inspections are mandatory for three-family purchases and will be reviewed with the borrower at the one-on-one counseling session.

MHP may require the lender to provide a current market appraisal to support rental income estimates.

## **VI. Subsidy / Loan Loss Reserve Recapture**

If a borrower received an interest subsidy and sells or transfers a home purchased under the Program within five years of the original purchase, then the subsidy used to buy down the interest rate over the period of ownership is repayable in full. However, in no event shall this amount, when combined with the amount of debt of the first and second mortgages, cause the debt on the property to exceed permitted loan-to-value requirements under the first mortgage, as determined by the outstanding loan balance and value of the property at time of sale.

If the borrower remains in the home for five to 30 years, then the subsidy repayment will be the lesser of the subsidy used to buy down the interest over the period of ownership, or 20% of the net appreciation realized upon sale. If a home is sold prior to year ten (and consequently, a portion of the up-front subsidy payment is unused), the bank must return the unused subsidy amount to MHP.

The loan loss reserve originally set aside for the second mortgage is recaptured when the borrower sells the property or otherwise terminates the second mortgage.

## VII. Lender Financed Purchase Rehab

Lenders may offer a purchase rehabilitation loan through the SoftSecond Loan Program. Maximum loan to value cannot exceed 97% of the property's "as-completed" value as evidenced by a current appraisal. The total loan, both the purchase and the rehab portions, must be in compliance with the terms and guidelines of the SoftSecond Loan Program. After the closing, the lender must escrow the rehab loan, manage the disbursement of the funds and monitor the property during the construction period. Borrowers may utilize the services of a qualified rehab agent employed or approved by the lender.

The first and second loan amounts will be based on both portions of the loan including the purchase price, the cost of rehabilitation, inspection and title update fees, contingency, and rehab agent fees, if any. Loan amounts should be structured in a manner consistent with the following example:

### Borrower Scenario:

Purchase price =	\$ 60,000
Rehab financing =	\$ 35,000
Fees=	+ \$ 5,000
	<u>\$100,000</u>

### SoftSecond Structure:

First mortgage =	\$ 77,000
Second mortgage =	\$ 20,000
Down payment=	+ \$ 3,000
	<u>\$100,000</u>

## VIII. Community Buy-downs

In high-priced communities, MHP will allow municipal "buy-downs". For example, if a home is being sold for \$195,000 and an income-eligible SoftSecond buyer can only afford \$165,000, the community can contribute \$30,000 to "buy-down" the purchase price. In this case, MHP would consider the purchase price \$165,000, and all mortgage and subsidy amounts would be calculated as described in Section IV. This policy applies only to municipalities. Friends, relatives, or other parties cannot "buy-down" the purchase price for the borrower. Communities should contact MHP for further information.

### SoftSecond Structure:

Seller Price=	\$195,000
Community Buy-down=	- \$ 30,000
Homebuyer's Purchase Price=	<u>\$165,000</u>
First mortgage =	\$123,750
Second mortgage =	\$ 33,000
Down payment=	+ \$ 4,950
	<u>\$165,000</u>

## IX. Section 8 for Homeownership Guidelines

Participants in the Section 8 for Homeownership Program can purchase their homes through the SoftSecond Loan Program. Participants must meet all standard program requirements and guidelines. As such, participants must purchase through a participating SoftSecond lender and in a participating community. Additionally, buyers must work with a Section 8 provider that has an MHP approved administration plan. The buyer must meet all terms and conditions of the provider's plan.

MHP and participating lenders will underwrite and approve loans based on the following underwriting guidelines. The borrower's total net mortgage responsibility will be used when calculating qualifying ratios. (The total net mortgage responsibility includes: borrower's payment to the first mortgage, borrower's portion of payment to the second mortgage, taxes, insurance and HOA fees, if applicable.) Buyers must qualify using one of two methodologies. MHP and the lender will calculate both ratios. The borrower must qualify using either the "Deduct HAP from PITI Option" or the "Add HAP to Income Option" but not both.

### Option 1: Deduct HAP from PITI

$$\text{PITI} - \text{HAP} / \text{Earned Income} = 28\%$$

$$\text{PITI} + \text{Debt} - \text{HAP} / \text{Earned Income} = 36\%$$

### Option 2: Add HAP to Income

$$\text{PITI} / \text{Earned Income} + \text{HAP payment} * 1.25 = 33\%$$

$$\text{PITI} + \text{Debt} / \text{Earned Income} + \text{HAP payment} * 1.25 = 38\%$$

- The SoftSecond Section 8 for Homeownership Program can only be used for the purchase of condominiums and single-family properties.
- There are no ratio exceptions permitted with the Section 8 for Homeownership Program.
- If the borrower only qualifies under Option 1 (Deduct HAP from PITI), the HAP payment must be direct-deposited by the approved Section 8 Provider into a custodial account established by the Lender and/or mortgage servicer. The lender must contact MHP prior to using Option 2 to underwrite the loan.
- In addition to meeting at least one underwriting test, MHP will evaluate the borrower's rate of income growth throughout the life of the loan to ensure continued affordability.
- SoftSecond Loans to Section 8 for Homeownership participants will be processed via fax or secure email instead of in eS2. Please contact MHP for Section 8 for Homeownership Information form.
- In addition to any regularly applicable income eligibility certificates, MHP must receive a Certificate of Section 8 to Homeownership Eligibility from the MHP approved Section 8 provider before processing a homebuyer reservation. This form will specify the borrower's earned income, allowed income deductions, and appropriate payment standard.
- Once the buyer has found a property and submitted a full mortgage application, the participating lender will submit the Section 8 for Homeownership Information Form. The lender is responsible for confirming this final information with the Section 8 provider. Upon MHP final approval, the lender will proceed with the closing.

## X. Servicing and Reporting

Even if the mortgages are sold, the lender must continue to service both the first and the second loans. MHP will send the participating lender tracking reports to facilitate monitoring of loan volume upon request. Monthly **excel reports** are expected from each lender by no later than the fifth of the month for activity occurring in the previous month, containing the following data points:

- **The Lender/Service Loan Number(s)**
- Borrower(s) Last Name, First Name
- Property Address
- **Mailing Address**
- Borrower Telephone Number(s)
- **Unpaid Principal Balance (for each mortgage)**
- **Interest Rate (for each mortgage)**
- **Accrued Interest (if applicable, for each mortgage)**
- **Late Fees (if applicable, for each mortgage)**
- Next Payment Due Date and/or Delinquency Number of Days (if applicable, for each mortgage)
- **First Payment Due Date (for each mortgage)**
- **Maturity Date (for each mortgage)**
- Payment in Full Date - Normal or Early Payoff Only (for each mortgage)
- Foreclosure Commencement Date/Date of Referral to Attorney (if applicable, for each mortgage)
- Bankruptcy Status (Active/Inactive)
- **Charge off Amount (if applicable, for each mortgage)**
- **Charge off Date (if applicable, for each mortgage)**
- **Disposition Amount and Date (if applicable)**

### **Note on Reporting**

For the purpose of tracking and early intervention, the Lender must provide MHP with delinquency reports for all first and second mortgages on a monthly basis. Regular, timely and complete delinquency reports are expected and reporting history is reviewed in assessing the lender's effort to minimize losses. Data from this report is used to accurately calculate the Lender's available Loan Loss Reserves.

## XI. Legal Documents and Processing Forms

**Borrower Closing Documents:** Closing documents complete with borrower information are now automatically generated by eS2. Blank closing document templates can also be found online at [www.mhp.net](http://www.mhp.net). These are used to close each loan and are meant to complement the lender's current first mortgage documents. Complete and accurate SoftSecond closing packages should be forwarded to MHP no later than three (3) months after the bank closing date. See also Section XII for information on closing a MassWorks Mortgage.

- SoftSecond Disclosure Statement
- SoftSecond Second Note
- SoftSecond Second Mortgage
- SoftSecond Subsidy Agreement
- SoftSecond Subsidy Note
- SoftSecond Subsidy Mortgage
- HomeSafe Letter
- **Homebuyer Education Certificate of Completion**

**Lender Participation Documents:**

These are signed by the lenders to initiate participation in the program. They run between the Lender and MHP and define respective roles. The most current versions of these agreements can be found at: [www.mhp.net](http://www.mhp.net).

- SoftSecond Loan Program Agreement
- SoftSecond Loan Loss Reserve Fund Agreement
- SoftSecond Lender On-Line Agreement

**XII. MassWorks Mortgage<sup>SM</sup> Program Guidelines**

MassWorks Mortgage Program Guidelines apply to loans made by Lenders to employees of Massachusetts employers who have entered into a Memorandum of Understanding (“MOU”) with MHP, and are otherwise eligible to participate in the SoftSecond Loan Program.

Pursuant to the MOU, employers will furnish a 0% interest loan, of at least \$2,500, a portion of which may be forgivable, to their employees in connection with the purchase of a home pursuant to the employer’s eligibility standards, with such funds to be used as interest subsidy and/or down payment assistance, joined with an MHP interest subsidy, when applicable, as well as state matching funds of up to \$5,000 per employee, subject to availability.

MassWorks Mortgage participants must meet all standard SoftSecond program requirements and Guidelines, except as modified herein, as well as all criteria set forth in the MOU by the employer.

MassWorks funds are a combination of employer funds and state matching funds. MassWorks funds will provide the minimum interest subsidy needed by the borrower to maintain a housing expense ratio of 28% over the first nine years of the loan.

- Where a borrower’s income is at or below 80% of area median, MassWorks funds will be applied to the interest subsidy after MHP’s public subsidy has been applied, according to the structure and terms outlined in Section IV of the Program Guidelines.
- Where a borrower’s income is between 80 and 100% of area median, MassWorks funds will be applied to subsidize the borrower’s interest payment.
- Where a borrower’s down payment exceeds 20% of the purchase price, MassWorks funds will be applied to subsidize the borrower’s interest payment.

After MassWorks funds have been applied to the interest subsidy, remaining funds will take the form of down payment assistance. MassWorks funds are not included in the asset test. Please visit [www.massworks.net](http://www.massworks.net) or contact MHP for a MassWorks Mortgage Term Sheet regarding repayment terms of MassWorks funds. MHP will not accept or process any MassWorks prequalification or reservation until an official employer authorization form has been submitted to MHP.

**Borrower Closing Documents:** Closing documents complete with borrower information are now automatically generated by eS2. These are used to close each MassWorks Mortgage loan and are meant to complement the lender’s current first mortgage documents. Complete and accurate MassWorks closing packages should be forwarded to MHP no later than three (3) months after the bank close date.

- MassWorks Mortgage Program Disclosure Statement
- MassWorks Mortgage Program Mortgage
- MassWorks Mortgage Program Note
- MassWorks Mortgage Program Agreement
- HomeSafe Letter
- Homebuyer Education Certificate of Completion