



Mortgage Finance Division
Single Family Office
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MORTGAGE PURCHASE PROGRAM DISCLOSURE OF INFORMATION

APPLICATION DOCUMENT

INSTRUCTIONS TO LENDER:

- PROVIDE SIGNED ORIGINAL TO HOC WITH PRE-CLOSING COMPLIANCE PACKAGE.**
- PROVIDE COPY TO BORROWER.**

The following information is provided in an effort to help the borrower understand certain aspects of obtaining a loan through the HOC Mortgage Purchase Program and also some of the requirements of the loan once you have obtained it. The intention of this information is to clarify some commonly misunderstood elements of a loan made in HOC's Mortgage Purchase Program. This disclosure is not intended to identify every issue that may become a question nor does it replace any documents that will be executed in the course of processing or closing of this mortgage. Please read this material carefully and sign at the bottom to indicate that you have been provided with this disclosure. HOC will not approve your mortgage without this signed form.

OWNER-OCCUPANCY REQUIREMENT

- 1. HOC's mortgage program provides financing for one's primary residence. The Occupancy Addendum you will sign at settlement which will be part of the Deed of Trust requires that the property be used as your principal residence until you pay off your existing loan.**

SALE OF YOUR MORTGAGE LOAN

- 2. Before August 2012, HOC retained the mortgage loans it purchased from the lenders participating in HOC's Mortgage Purchase Program. The loans were not sold to anyone else and they remained HOC loans.**
- 3. Beginning in August 2012, first mortgages being originated in HOC's Mortgage Purchase Program will not be retained by HOC for its own portfolio, but will be sold to a master servicer which will own the mortgage. While the loan is being originated according to certain HOC first time home buyer requirements, the loan itself will not end up being an HOC loan.**

WHO IS HOC?

- 4. The Housing Opportunities Commission (HOC) is an independent public housing agency chartered by the state legislature to operate in Montgomery County. The Housing Opportunities Commission is not an agency of the County Government or the Federal Government.**

THE LOAN

5. There are two basic kinds of loans you can apply for through HOC's mortgage program: (1) conventional or (2) FHA. (We do not accept VA loans.) This classification identifies who is insuring the mortgage on behalf of the lender. A conventional loan is insured by a private (non-governmental) mortgage insurance company. An FHA loan is insured by the Federal Housing Administration which is part of the federal government.

If you apply for an FHA insured mortgage, your loan will be referred to as an HOC loan and an FHA loan at the same time. Again, this is insurance or protection for the lender in the event of foreclosure. The borrower pays for it but the loan couldn't be made without it. An FHA loan works almost the same whether HOC or another company is the lender. For HOC conventional loans, private mortgage insurance is required when the down payment is less than 20% of the sales price. This insurance cannot be removed until the remaining balance reaches 78% of the original price.

THE LOAN PROCESS

6. Your application is being processed by a lender participating with HOC. The lender's responsibility is to collect information verifying your application so that an underwriter can evaluate your qualifications. An underwriter does not review your loan until all of the information is assembled.

7. If you have to give notice to a landlord, you should understand the risks if you give notice before you know your loan is approved. A scheduled settlement date or a walk-through does not necessarily mean that your loan is approved. Many times, those dates are arranged before loan approval.

8. The decision to approve your loan does not rest with HOC, alone. Your application requires the approval of HOC and the participating lender.

ELIGIBILITY

9. HOC also has its own rules for approving applications such as income limits, sales price limits, and not having owned a primary residence in the last three years. The Mortgagor's Affidavit you are required to sign refers to prior ownership. Furthermore, there is a restriction about using your home for a business - see paragraph 2 of the Mortgagor's Affidavit. The Certificate of Mortgagor asks you to declare your income. The Sellers Affidavit asks the seller to certify the sales price. There can be no side agreements to the sales contract.

Borrowers must meet certain eligibility requirements to be approved for HOC mortgage financing.

First Time Homebuyer: All adult occupants of a property must be a first time homeowner. This means that the person has not had an ownership interest in his/her primary residence during the last three years.

Income Limits: The household (all occupants) cannot have a combined annual rate of income which exceeds the HOC limits in effect when the loan closes. The income limit does not continue after the loan closes.

Sales Price: The sales price of the property cannot exceed the maximum price in effect when you purchase your home. This does not affect the sales price when you decide to sell your home.

Citizenship: Borrowers are not required to be citizens of the United States.

PROPERTY TYPES

10. FHA and the private mortgage insurers have their own rules for determining the maximum allowed mortgage amount and loan approval. They also have rules about the property. Sometimes the property is not acceptable even though the applicant is. For example, condominium projects or certain subdivisions have to be approved by FHA before someone can apply for an FHA loan in that project. The lender has a list of the approved projects which is published periodically by FHA.

Also, the private mortgage insurer will not make a loan in a condominium that has too many renters or one in which it has a very high percentage of loans already. Your lender (the primary lender) should be able to offer assistance in determining which type of loan you should apply for.

MPDU (Moderately Priced Dwelling Unit)

11. MPDUs are properties which have a controlled sales price for a certain length of time. MPDU is not a mortgage. Most MPDUs are regulated by the county government. Some MPDUs may be regulated by the City of Rockville or the City of Gaithersburg.

MPDUs have separate rules and regulations from the mortgage.

12. If the property you are buying is an MPDU, you will have to comply with both MPDU restrictions and mortgage restrictions. The fact that a home may be an MPDU is not related to the financing you receive. The mortgage documents you will sign at settlement will not identify if your home is an MPDU. You will need to contact the appropriate regulating jurisdiction when you sell or refinance your MPDU.

OCCUPANCY REQUIREMENT

13. HOC requires you to occupy your new home within 30 days of settlement. Rentback agreements or not moving in at all are not allowed unless HOC has given specific written permission at the time of loan approval.

SALE OF YOUR HOME

14. Many people believe there is a specific amount of time they must live in their home before they can sell it. This is not true. No one controls WHEN you sell your home.

Your sales price may be controlled if you purchased an MPDU. If you are buying an MPDU and you decide to sell during the control period, you must contact the MPDU office at the County or other appropriate jurisdiction, to receive a determination of the maximum

allowed selling price. That office will also inform you of any other requirements in selling your MPDU.

HOC does not regulate your sales price unless you purchased your home directly from HOC. If you did purchase directly from HOC, you will need to contact HOC when you decide to sell or refinance your mortgage.

If you sell your home during the first 9 years of ownership, you may have to pay the federal government a recapture tax. Information about this requirement will be found in the form “Information Regarding Potential Recapture Tax” which will be provided at closing, if applicable. It is not possible to determine in advance whether you will owe any tax or not.

ASSUMPTION

15. **Federal Guidelines on Assumptions:** If a homeowner does not choose to request a release of liability from the lender or the lender refuses to provide the release, the homeowner and the assumptor (purchaser who assumes the loan) will remain liable, individually and jointly, for any default for a period of 5 years following the assumption.

Upon expiration of the 5 year period, only the assumptor shall be liable for any default on the mortgage unless the mortgage is in default at the time of the expiration of the 5 years.

PAYOFF OF EXISTING MORTGAGE

16. You may refinance your loan at any time. You may still be subject to MPDU restrictions if your property is an MPDU and the control period has not expired. You will become subject to any rules and requirements of your new loan.

17. Among the many documents you will sign at settlement will be a note which creates the loan and the terms of the repayment. Whoever signs the note is liable for repayment of the loan. That liability will exist until the loan is paid off or until the servicer and the mortgage insurer remove someone from liability in writing. You cannot remove yourself or anyone else from liability. When someone is removed from liability, the remaining party must be qualified to carry the loan.

SERVICING

18. The company you send your mortgage payments to is the servicer. This company is often not the same company that originated (took your application) your loan.

19. The company that services your loan may change occasionally. This should only affect where you send your mortgage payments but sometimes such a transfer may cause problems with your account.

20. After your loan is made, any questions you have regarding it should be directed to the servicer.

21. If you encounter difficulty in making your mortgage payment, you should contact the servicer promptly to discuss the problem. The longer this problem continues, the more difficult it is for the servicer to work out a solution or offer assistance.

YOUR MORTGAGE PAYMENT

22. The servicer will provide you with an escrow statement annually to inform you of the status of your escrow account and determine if any adjustments to your escrow payments have to be made.

23. Even if you receive a fixed rate mortgage, your monthly mortgage payment may change as a result of changes in your property taxes and/or hazard insurance premium.

RECORD KEEPING

24. You will receive many papers and much information during the loan processing and settlement and it may seem overwhelming. Nevertheless, you should read the documents and save all of your papers for reference. Do not rely on either HOC or your servicer to provide you with copies after settlement.

Date: _____

Borrower's Signature

Borrower's Signature