



Maryland Department of Housing and Community Development
Community Development Administration/Homeownership Programs

March 29, 2001

Directive 2001-2

MEMORANDUM FOR: ALL PARTICIPATING LENDERS

SUBJECT: OPENING OF 2001 SERIES A & B BOND ISSUE

The purpose of this Directive is to announce the opening of the 2001 Series A & B Bond Issue, which closed on March 28, 2001. This Directive will be posted on our website and should be read by all of your originating branches as well as your closing and shipping staff. In addition, the [Highlight Sheet for the 2001 Series A & B Bond Issue](#), the [Reservation of Maryland Mortgage Program \(MMP\) Funds form, Attachment I \(revised 03/28/01\)](#) and the [Notice to Borrower with Information for Calculating Potential Recapture Tax \(revised 03/28/01\)](#) will be posted on our website.

IMPORTANT NOTICE:

As you are aware, on May 19, 2000, the Secretary of HUD announced an initiative called the Fraud Protection Plan. The announcement was followed on June 20, 2000 by the Joint HUD-Treasury Report on Recommendations to Curb Predatory Home Mortgage Lending (the "Report"). The announcement and the Report focused on predatory lending practices, included loans based on inflated appraisals. The Report indicated that FHA would institute a system to review sales price history prior to approval of FHA insurance. In addition, the Report stated that FHA intends to restructure inflated mortgages by writing down the mortgage, or by canceling insurance, taking possession of the deed, and reselling the property to the borrower at a fair market price.

The Report also expressed concerns about cases of falsified and unverified income figures and fraudulent use of gift letters.

CDA relies on lenders participating in the Maryland Mortgage Program to adhere to FHA standards and requirements. CDA will require the repurchase of any loan that fails to meet FHA standards and qualify for full coverage by FHA insurance.

General Program Information

- Proceeds from this bond issue will be made available for reservations on Friday, March 30, 2001 at 8:00 a.m.
- This is an On-Behalf-Of Local Governments' (OBO) Bond Issue, which means each county has set their own maximum acquisition costs and income limits, as well as any specific area targeting. A total of approximately \$30.3 million will be made available for reservations for the OBO portion of this bond issue. These funds will be held for each individual jurisdiction's exclusive use for at least 90 days.
- A total of approximately \$15.7 million will be made available for reservations for the Statewide portion of this bond issue. Only existing or newly constructed homes that are located in [Priority Funding Areas](#) will be financed from the Statewide pool of funds.
- We will open the bond issue with an interest rate of 5.875 percent. However, we reserve the right to **increase OR decrease** the interest rate to stay within a certain spread of the private sector market. If we decide to change the interest rate, notice will be given on the Lender Hotline (410-514-7513) on Tuesday with Wednesday of the same week as the effective date of the change. In addition, a notice will be e-mailed to lender contacts on Tuesday when the change is announced on the hotline.

Highlight of Revisions

MMP LENDER'S MANUAL

- "ATTACHMENTS" list dated 03/28/01 on page v of the MMP Lender's Manual has been corrected to reflect the date (shaded) of the revised attachment.
- E-mail addresses were added to the list of [Appropriate Contact Persons](#) on page vi of the MMP Lender's Manual.
- Under "Housing Standards", Section 2.7, subsection F.2., the last sentence was changed to read as follows: A current, complete appraisal, with the originating lender as the "client", is required for all properties.

It is anticipated that the MMP Lender's Manual dated March 28, 2001 will be uploaded to our website on March 30, 2001.

ATTACHMENTS

- Minor changes were made to the "Reservation of MMP Funds" form, Attachment I. Because of the number of illegible "Reservation of MMP Funds" forms that were received, the

wording in the parenthesis under 2 A at the top of the form was changed to read as follows: "IF PRINTING NOT LEGIBLE, PLEASE TYPE". Please note that legibly completing the blanks in this form will expedite the confirmation of your reservation of funds. In addition, the size of the blank was increased for the "Yes" response to the "Priority Funding Area" question to accommodate the completion of the Priority Funding Area Code in the same blank

Please make sure this form is incorporated into your systems for immediate use. Effective **Monday, April 9, 2001**, it will be **mandatory** to use the ["Reservation of MMP Funds" form, Attachment I, dated 03/28/01.](#)

PROGRAM LOAN DOCUMENTS

- The "Notice to Borrower with Information for Calculating Potential Recapture Tax" was revised and the blanks on the first and second page were eliminated.

Please make sure this document is incorporated into your systems for immediate use. Effective **Monday, April 30, 2001**, it will be **mandatory** to use the ["Notice to Borrower with Information for Calculating Potential Recapture Tax" dated 03/28/01.](#)

As always we appreciate your continued participation in MMP. If you have questions concerning this Directive or suggestions for improvement of our Program, please contact me directly at (410) 514-7530 or 1-800-638-7781 or by e-mail at manahan@dhcd.state.md.us.

Sincerely,

William J. Manahan
Deputy Director
Homeownership Programs

c: Local Jurisdiction Housing Contacts

PARRIS N. GLENDENING
GOVERNOR

RAYMOND A. SKINNER
SECRETARY



The Maryland Department of Housing and Community Development (DHCD) pledges to foster the letter and spirit of the law for achieving equal housing opportunity in Maryland.

<http://www.dhcd.state.md.us>