



Maryland Department of Housing
and Community Development

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October 23, 2006

Directive 2006-15

MEMORANDUM: ALL PARTICIPATING LENDERS

SUBJECT: LENDER-PAID MORTGAGE INSURANCE

The purpose of this Directive is to inform you of a new product – Lender-Paid Mortgage Insurance - that will be available for loans **reserved on or after Wednesday, November 1, 2006**. This Directive will be uploaded to our website (under Just for Lenders/Single Family Housing Directives) and also to Lender On-Line (under Program Documents/Single Family Housing Directives).

LENDER-PAID MORTGAGE INSURANCE (LPMI)

LPMI is a one-time, non-refundable mortgage insurance premium paid by the lender at closing. The lender is then reimbursed by CDA at the time of purchase.

- The premium is a flat rate of 1.75%, regardless of the loan-to-value ratio.
- Defer to mortgage insurer's minimum credit score requirements (minimum credit scores can be as low as 660-680).
- Offered only on More House 4 Less Program 7/23, 5/30 and 7/33 interest-only products! It is not available on the 30 or 40 year fully amortizing products or the MMP PLUS (0 Point + 2 % Grant) or LNYW PLUS (0 Point + 3% Grant) products.
- A loan under the Downpayment and Settlement Expense Loan Program (DSELP) and/or the House Keys 4 Employees (HK4E) Program may be used with the LPMI product.
- The interest rate is $\frac{1}{2}\%$ *higher than the current interest-only interest rate* during the interest-only period and then the interest rate is *reduced by $\frac{1}{4}\%$* at the beginning of the amortization period (sixth or eighth year).

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The following is an example of how the CDA More House 4 Less (MH4L) mortgage payments under the NEW Lender-Paid Mortgage Insurance (LPMI) product compares to a standard Borrower-Paid Mortgage Insurance (BPMI) product. It assumes a \$200,000 purchase price with no down payment, using the MH4L 5/30 (a 5-year interest-only payment period followed by a 30-year amortizing term of principal and interest payments) Interest-Only mortgage product with 0 Points.

	MH4L BPMI (mortgage terms)	MH4L LPMI (mortgage terms)
INTEREST ONLY PERIOD:		
Interest Rate	6.000%	6.500%
Monthly Interest Payment	\$1,000	\$1,083
Monthly Mortgage Insurance Premium (MIP) Payment	\$ 160	\$ 0
Monthly Mortgage Payment with MIP (first 5 years)	\$1,160	\$1,083
PRINCIPAL & INTEREST PERIOD:		
Interest Rate	6.000%	6.250%
Monthly Principal & Interest Payment	\$1,199	\$1,231
Monthly Mortgage Insurance Premium (MIP) Payment	\$ 160	\$ 0
Monthly Mortgage Payment with MIP (starting in year 6)	\$1,359	\$1,231
Monthly Mortgage Payment Increase in YEAR 6	\$ 199	\$ 148

To reserve a loan using this product, you should access the “New Reservation” screen in Lender On-Line and select the appropriate Point Program under the applicable Program Type (016 – LPMI 7/23 IO; 017 – LPMI 5/30 IO; or 019 – LPMI 7/33 IO). Select either No Second Mortgage or the applicable second mortgage product (DSELP; DSELP/HK4E; or HK4E) and then complete the “New Reservation Form”. **Please note: If a loan was reserved prior to November 1, 2006, it can not be switched to the LPMI product.**

IMPORTANT: CDA will not reimburse a lender for funds advanced for the LPMI premium if the accompanying loan is not eligible for purchase. In addition, the lender may not seek reimbursement from the borrower. In the case of a repurchase, the amount of the LPMI premium will be included in the repurchase amount.

As always, we appreciate your continued participation in CDA’s programs. If you have any questions concerning this Directive or suggestions for improving our Program, please contact me directly at (410) 514-7508 or 1-800-638-7781 or by e-mail at manahan@mdhousing.org.

Sincerely,

William J. Manahan

William J. Manahan
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Single Family Housing