



# Down Payment Advantage (DPA) Product

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# INTRODUCTION

- GMFS has partnered with Down Payment Assistance (DPA) providers to create the GMFS Down Payment Advantage Product, a Community Lending Program.
- The goal of this program is to assist low to moderate income borrowers realize the dream of homeownership
- [This program qualifies under Fannie Mae's Community Second and Freddie Mac's Affordable Second guidelines.](#)



# PROGRAM ADVANTAGES

- Flexible down payment and closing cost assistance
- Do not need to be a first-time homebuyer
- Program qualification based on borrower income only, not household
- The amount of the assistance is based on the lesser of the purchase price or appraised value, not the first mortgage loan amount.

# SECOND MORTGAGE DPA PARTNERS

The first mortgage is always paired with an interest-only second mortgage from one of our partners.

## Fahe

- Non-profit
- Founded in 1980
- Community Development Financial Institution
- Goal of creating housing and promoting community development in the areas they serve
- **My Place Mortgage**

## Springboard

- Non-profit
- Established in 1982
- Community Development Financial Institution
- Goal to provide mortgage financing for low to moderate income and underserved communities
- **Springboard To Homeownership**

# GMFS Down Payment Advantage Program

## What is the GMFS Down Payment Advantage program?

- A partnership program pairing a GMFS first mortgage with a **Fahe My Place Mortgage** or **Springboard to Homeownership DPA Interest-only second lien** for down payment and closing cost assistance.
- Available for LTVs between **80.01-97%\***
- Loan will fund both the 1st and the 2nd in GMFS's name
- This program is only eligible for **Broker** transactions only
- GMFS Disclosure desk will disclose all loans

# GMFS Down Payment Advantage Program

- **Fixed 30-year** term First Mortgage
- **Purchase** of a **primary residence** only
- **Fannie Mae/Freddie Mac** conventional or HomeReady® / Home Possible®
- **Minimum FICO = 660**
- **DTI = lesser of 50% or AUS**
- **LTV/CLTV** maximum = **97%/105%**
- **All borrowers must complete either HomeView™ or Credit Smart® homebuyer education (as applicable)** course prior to close.
- **GMFS Must Underwrite the Loan**
- **Approve/Eligible or Accept/Eligible** from DU/LPA; **manual underwriting and use of non-traditional credit is not permitted**
- **Employment and income documentation follow AUS findings**, with a few exceptions.
  - Non-occupant co-borrower/co-signer income not permitted
  - Tax transcripts are required when utilizing 1040 income, working for family, or using WVOE as stand-alone income verification.

*Please refer to the product matrix for complete program guidelines.  
On the GMFS intranet or the TPO Portal*

# INCOME LIMITS

- Income limits vary according to the product selected, but the maximum is **140% AMI**.
  - Use [Fannie Mae's income lookup tool](#) or [Freddie Mac's income lookup tool](#) (as applicable), to find AMI information.
- **All verified qualifying income must be applied against the applicable program income limit.**
  - Conventional: **140% AMI**
  - HomeReady®/ Home Possible®: **80% AMI**
- **Maximum DTI** – Lesser of 50% or AUS

# QUALIFYING INCOME

- **Qualifying Income:** Lender must attempt to develop and verify all income listed on the application or disclosed through the loan process.
- What is the definition of **disclosed through the process**?
  - Listed on the 1003
  - Shown on the pay stubs
  - Shown on a written verification of employment
  - Shown on tax documents
- If the additional income does not meet Fannie Mae/Freddie Mac guidelines (ex. one-time bonus), it does not need to be added to the application and run through DU/LPA. However, the Underwriter must indicate on the 1008 why it was not used for qualification.

**Example:** “Verified that borrower’s bonus was one-time only and therefore cannot use.”



# QUALIFYING INCOME EXAMPLES

## Example 1

- The 1003 lists a second job, but it is not needed to pass ratios.

### Does the income need to be developed?

- **Yes**, review the income documentation and determine if the income meets the guidelines: continuity, history, etc.
  - **If it does**, add it to the LOS and run through AUS for qualification.
  - **If it does not**, underwriter documents why.

## Example 2

- The underwriter reviews a pay stub and sees a bonus or overtime income that was not listed on the 1003.

### Does the income need to be developed?

- **Yes**, review income documentation and determine if the income meets guidelines: continuity, history, etc.
  - **If it does**, add it to the 1003, LOS, and run through AUS for qualification.
  - **If it does not**, underwriter documents why.

# HomeReady® / Home Possible vs. Conventional Underwriting

- If LTV is over 95% and **neither** borrower is a first-time homebuyer, HomeReady®/ Home Possible® are the only options.
  - Remember to follow the appropriate **AMI limit**
- If the LTV is over 95% and **at least one** borrower is a first-time homebuyer, the standard conventional underwriting guidelines may be followed.
  - This offers the flexibility of income limits up to **140% AMI**.
- If the LTV is 95% or below, the standard conventional underwriting guidelines may be followed (**even if no borrower is a first-time homebuyer**).
  - This offers the flexibility of income limits up to **140% AMI**.

# PROPERTY TYPE

## Eligible Property Types

Owner occupied, 1-unit primary residences including:

- Single Family Detached
- Single Family Attached
- Single Family w/Accessory Units  
(zoned Single Family)
- Rural (Residential)
- PUDs
- Condominiums
  - For condominiums and PUDs, refer to the [Fannie Mae Seller Guide](#) or [Freddie Mac Seller Guide](#)

**Borrowers and spouses must occupy the property as their primary residence within 60 days of closing.**

# SECOND MORTGAGE PROGRAM

The second mortgage program offered by Fahe/Springboard is aimed at assisting low to moderate-income borrowers obtain and maintain housing. The second mortgage program is the same for both Fahe and Springboard with only one exception:

- The state the property is located in determines the second mortgage provider (Fahe or Springboard).
- The 30 year interest-only second mortgage loan amount is up to **4%** of the lesser of the appraised value or purchase price (no dollar cap).
  - Lower percentages are permitted based on your borrower needs.
- The second mortgage proceeds can be used for either down payment assistance, closing cost assistance, or a combination of both.
  - **Second mortgage proceeds may be used to fund up to 100% of the Borrower's cash to close.**
    - The only cash back to the Borrower is a refund of any earnest money, prepaid fees, and interest or tax credit.

# SECOND MORTGAGE PROGRAM, CONT

- The Borrower signs a **Second Promissory Note** and a **Second Deed of Trust/Mortgage**, recorded as a subordinate lien on the property.
- The second mortgage is **due and payable** upon sale, maturation, refinance, early payoff of the first mortgage, or transfer of the property.
  - **Not forgivable**
- Second mortgage **interest rate is equal to the first.**
- Monthly **interest-only payments** are required.
- The monthly-interest only payments must be included in the DTI calculations for qualification purposes.

# RUNNING DU ON THE INTEREST ONLY

- Must be entered as **Community Seconds** with the repayment structure field reading **Any payment (including interest only, P&I, etc.) required within first 5 years.**

**Community Lending Information**

Community Lending Product: HomeReady

Community Seconds: Yes

Community Seconds Repayment Structure: Any payment (including interest only, P & I, etc) required within first 5 years

County:

← HomeReady®

Standard Conventional →

**Community Lending Information**

Community Lending Product:

Community Seconds: Yes

Community Seconds Repayment Structure: Any payment (including interest only, P & I, etc) required within first 5 years

County:

HomeBuyer Education Completion:

**MORNETPlus Community Lending**

Community Lending  Community Seconds

Metropolitan Statistical Area or County:

Fannie Mae's Community Lending Product:

HUD Median Income:

Income Limit Adjustment Factor: %

Community Lending Income Limit:

Community Seconds Repayment Structure: 01 Any payment required within first five years

Borrower's CAIVRS #:

FHA Loan Data:

← Encompass Version

# Running LPA on the Interest-only Second Mortgage

- Must be in the **Property You Are Buying** section.
- Select **Yes**, under **Is the other New Mortgage an Affordable Second?**
- Select **No**, under **Is the Affordable Second Payment Deferred?**

Below is an example of the **Other New Mortgage Loans on the Property You are Buying or Refinancing** section displayed in Loan Product Advisor via Loan Advisor single sign-on portal. For system-to-system Loan Product Advisor users, refer to your loan origination system (LOS).

Other New Mortgage Loans on the Property You are Buying or Refinancing  Does not apply

Creditor Name <input type="text" value="Best Bank"/>	Creditor Type * <input checked="" type="radio"/> Business <input type="radio"/> Individual	Lien Type * <input type="text" value="Second Lien"/>	Monthly Payment <input type="text" value="\$ 100.00"/>
Loan Amount / Amount Drawn * <input type="text" value="\$ 1000.00"/>	Is the Other New Mortgage an Affordable Second? <input checked="" type="radio"/> Yes <input type="radio"/> No	Is the Affordable Second Payment Deferred? <input type="radio"/> Yes <input checked="" type="radio"/> No	0 / 3 <input type="button" value="ADD"/>
HELOC * <input type="radio"/> Yes <input checked="" type="radio"/> No			

**Reminder:** If the payment on the Affordable Second requires a payment **before** the Due Date of the 61<sup>st</sup> monthly payment the **Monthly Payment/Initial Principal and Interest Payment Amount** must be accurate with an amount greater than zero.

# SECOND MORTGAGE FEES

## All Fees Are Charged to Borrower and Disclosed

- All fees paid to government entities required to record the second lien in the specific state and/or jurisdiction of the property.
- **\$400 program fee**
- Any prepaid interest, where applicable, may be also be charged.



# ELIGIBLE LOCATIONS

- The biggest difference between the products SpringBoard and Fahe is the geographic location they operate within. This will be handled by our pricing engine. Below is a quick breakdown of the states that each program operates in.
- Check the DPA product matrix for full details in the **Geographic Restrictions Section**.

Springboard	Fahe
AR, GA, OK, CO	AL, IL*, IN, KY, MS, MO, TN, VA

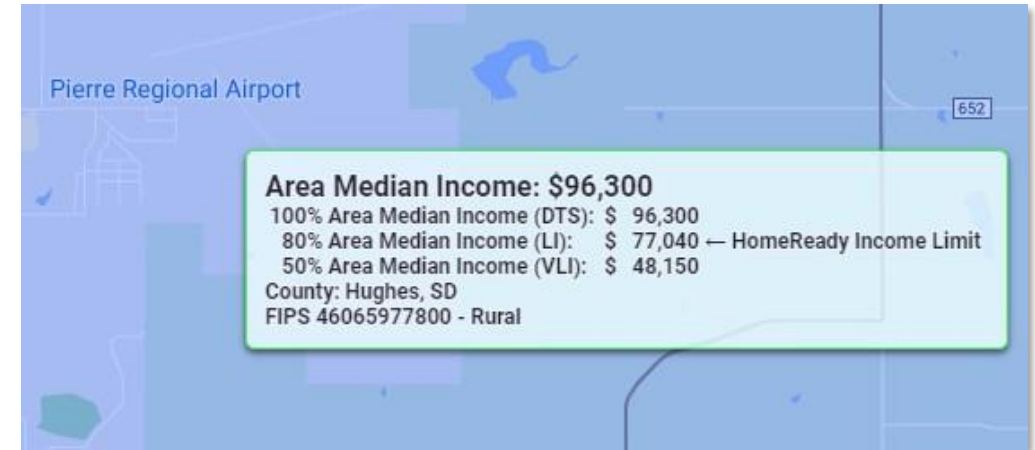
\* Cook county, IL is *excluded* from the DPA program

# SUMMARY

- **Eligible Mortgage Product: Fixed 30-year term** only
- **Loan Purpose:** Purchase of a primary residence; 1 unit
- **Minimum FICO: 660**
- **DTI:** lesser of **50%** or AUS findings
- **LTV/CLTV:** maximum **97% (95% HB/SC)/105%**
- **Underwriting:** Approve/Eligible or Accept/Eligible from DU/LPA; **manual underwriting not permitted**
- **Product Matrix:** If the product matrix is silent on the topic, follow Fannie Mae/ Freddie Mac guidelines, as applicable
- **Homebuyer Education:** Required for **all borrowers prior to close** and must comply with Fahe's and Springboard's requirements (HomeView/Credit Smart).
- **DPA/Closing Cost Assistance:** Fahe My Place Mortgage or Springboard to Homeownership
- **Disclosures:** Must comply with TRID rules.
- **Second lien calculation:** Second loan amounts are always calculated as a **percentage of the lesser of the purchase price or appraised value.**
- **Second lien due and payable:** upon sale, maturation, refinance, early payoff of the first mortgage or transfer of the property.

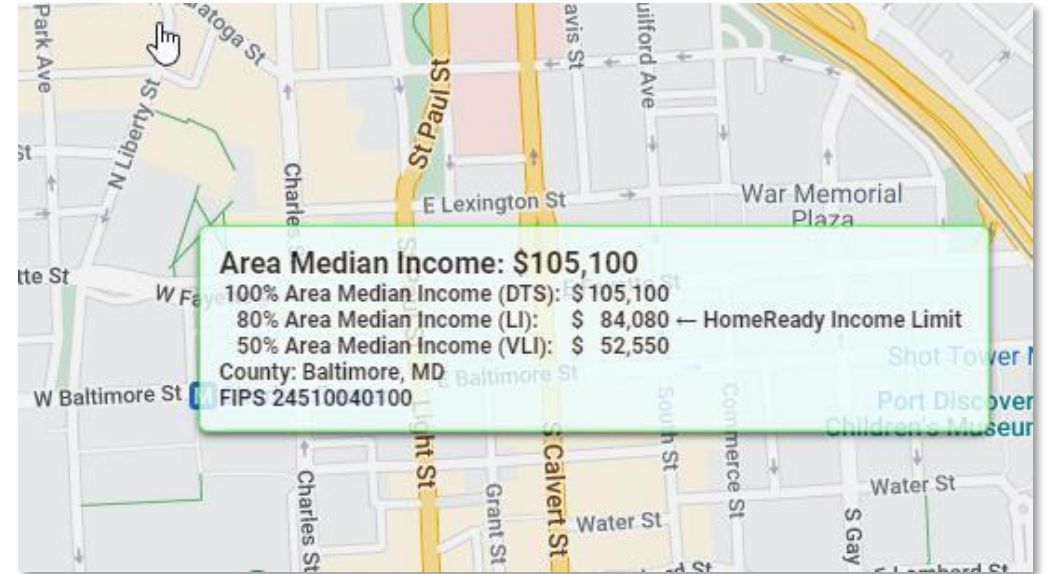
# Live Loan Scenarios - HomeReady® / Home Possible®

- Mr. and Mrs. Smith are buying a new home in Pierre, SD
- Mr. Smith = **\$60,000/year** Mrs. Smith = **\$600/month**
- Annual Combined Income = **\$67,200**
- 80% AMI = **\$77,040**
- Purchase Price = **\$170,000**
- Down Payment needed = **\$5100** Closing costs needed = **\$8500**
- They have owned their current home for three years and will realize **\$8,000** net proceeds from the sale. They want to keep **\$3000** for an emergency fund. Therefore, they only have **\$5,000** to use for a down payment and closing costs.
- They qualified for a **\$2000** grant from their local housing assistance program, but this is not enough to cover all the closing costs and the down payment of their new home. ( $\$13,600 - \$5,000 - \$2,000 = \$6,600$  short)
- They utilized the Down Payment Advantage first mortgage of \$164,900 and utilized HomeReady® / Home Possible® since their income meets the guidelines. They also utilized a Springboard To Homeownership interest-only second mortgage for **\$6600**.



# Live Loan Scenarios – Standard Conventional

- Ms. Willis is buying her first home in Baltimore, MD.
- Base Salary = **\$95,000/year**
- Average Bonus = **\$16,000**
- Qualifying Income = **\$111,000**
- AMI = **\$105,100**
- 140%\*\* of AMI = **\$147,140**
- Purchase Price = **\$460,000**
- Miss Willis has money for her down payment and closing, but she prefers to keep her own reserves for the future and to make some home improvements.
- She utilized the Down Payment Advantage first mortgage for **\$446,200** and a Fahe My Place Mortgage second mortgage for **\$18,400**.



# PROGRAM RESOURCES

- For more information or questions about the **First Mortgage** see the Down Payment Advantage product matrix or the GMFS Loan Seller Guide.
- For more information or questions about the either Fahe or Springboard (SB) Please see the GMFS Down Payment Advantage Product and Underwriting Guidelines on the GMFS Partners site.

# CONTACTS FOR QUESTIONS

<b>General Questions</b>	Contact your GMFS Account Executive
<b>Disclosures, Forms, or Conditions on Closed Loans</b>	Contact your GMFS Account Executive or the GMFS disclosure desk
<b>Pricing</b>	Pricing and guidelines are available in most product and pricing engines. Contact GMFS lock desk for details
<b>Locking or Delivering Loans</b>	Contact GMFS Lockdesk at <a href="mailto:Lockdesk@gmfslending.com">Lockdesk@gmfslending.com</a>