



Down Payment Advantage (DPA) Product

Last Updated: Sept 1, 2023

INTRODUCTION

- GMFS has partnered with Down Payment Assistance (DPA) providers to create the GMFS Down Payment Advantage Conventional 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 is eligible to the following GMFS states – AL, AR, CO, GA, IL*, IN, KY, MS, MO, OK, TN, VA (*Not available in Cook County)
- [This program qualifies under Fannie Mae's Community Second](#)



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 Upto 140% AMI
- 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 and Retail** transactions only

GMFS Down Payment Advantage Program

- **Fixed 30-year** term First Mortgage
- Purchase of a **primary residence** only
- Fannie Mae conventional or HomeReady
- **Minimum FICO = 660**
- **DTI = lesser of 50% or AUS**
- **LTV/CLTV maximum = 97%/105%**
- **All borrowers must complete either HomeView™ homebuyer education (as applicable) course prior to close.**
- **GMFS Must Underwrite the Loan**
- **Approve/Eligible from DU ; 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](#) (as applicable), to find AMI information.
- **All verified qualifying income must be applied against the applicable program income limit.**
 - Conventional: **140% AMI**
 - HomeReady® : **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® vs. Conventional Underwriting

- If LTV is over 95% and **neither** borrower is a first-time homebuyer, HomeReady® 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](#)

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

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

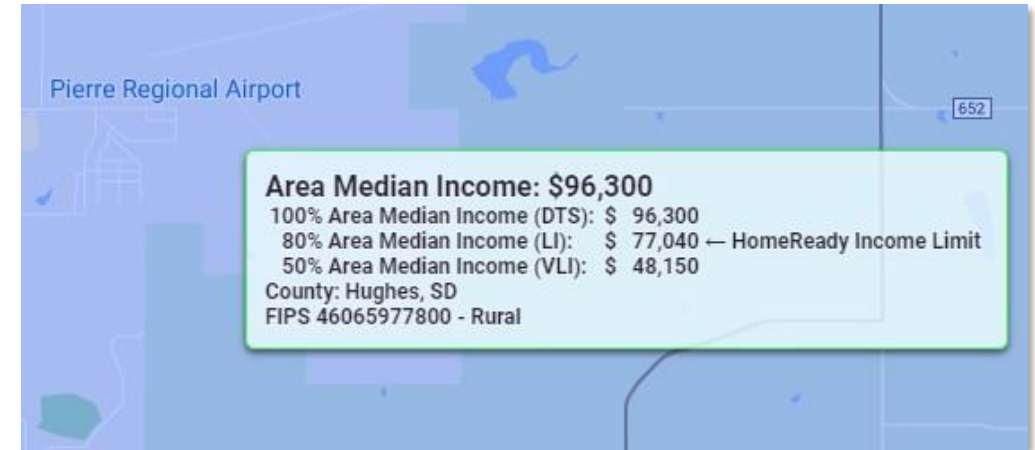
* Cook county, IL is *excluded* from the DPA program

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 DU; **manual underwriting not permitted**
- **Product Matrix:** If the product matrix is silent on the topic, follow Fannie Mae, as applicable
- **Homebuyer Education:** Required for **all borrowers prior to close** and must comply with Fahe's and Springboard's requirements (HomeView).
- **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.

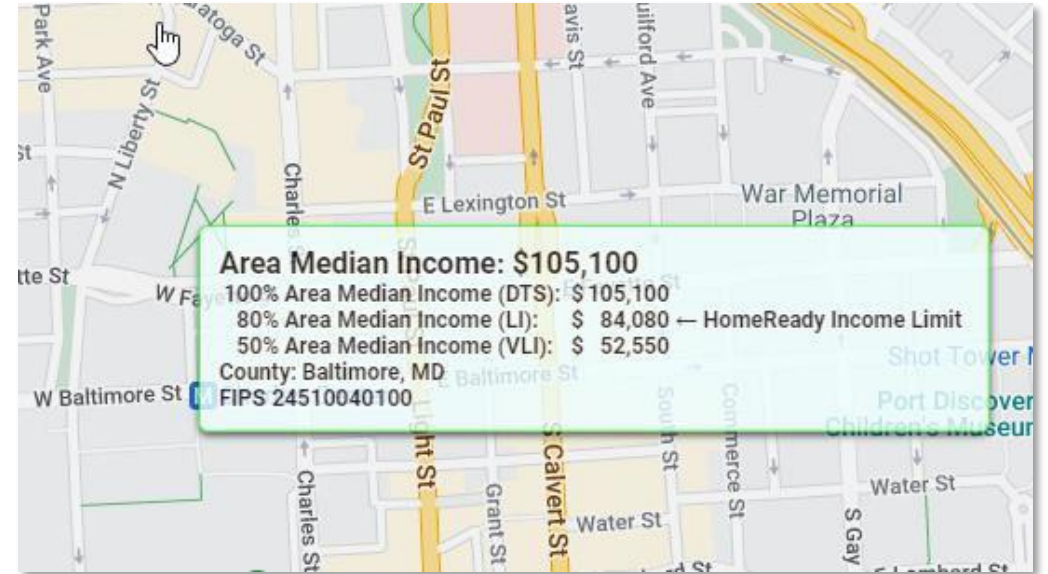
Live Loan Scenarios - HomeReady®

- 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® 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

General Questions	Contact your GMFS Account Executive
Disclosures, Forms, or Conditions on Closed Loans	Contact your GMFS Account Executive or the GMFS disclosure desk
Pricing	Pricing and guidelines are available in most product and pricing engines. Contact GMFS lock desk for details
Locking or Delivering Loans	Contact GMFS Lockdesk at Lockdesk@gmflending.com