

Central Baltimore Homebuying
Incentive

Central Baltimore Homebuying Incentive Underwriting Guidelines

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About the Central Baltimore Homebuying Incentive

Central Baltimore Partnership (CBP), in conjunction with Neighborhood Housing Services (NHS), is pleased to present the Central Baltimore Homebuying Incentive program. This program is intended to attract potential homebuyers to 7 Central Baltimore neighborhoods by providing down payment assistance to moderate-to-low income buyers.

Home is the foundation for every aspect of our lives; it represents stability, wealth, and community, and for many, home is the epicenter of a rich and fulfilling life. Unfortunately, buying a home is beyond reach for many Baltimore residents. At Central Baltimore Partnership, we believe that this dream should be attainable for all Baltimoreans. To help make owning a home a reality, we created the Central Baltimore Homebuying Incentive, which will help potential homeowners afford a home in Central Baltimore.

The purpose of the \$10,000 *Central Baltimore Homebuying Incentive* is to maintain income diversity in the six neighborhoods outlined in our *Front and Center Equity Plan* while encouraging potential residents to live closer to their places of employment. These neighborhoods include: Old Goucher, Barclay, Charles North, Harwood, Remington, and Greenmount West, as well as East Baltimore Midway. Through our work, we have seen tremendous reinvestment and momentum, but one problem remains. How can we make sure that long-time low-income residents are not displaced and that low- and moderate-income families see these communities as neighborhoods of choice? Neighborhood associations and fellow residents want to make it possible for legacy residents and future homeowners to both benefit from neighborhood improvements.

To achieve this goal, Central Baltimore Partnership will grant \$10,000 in deferred loans to 10 potential homebuyers searching for homes in Central Baltimore. This incentive program can be stacked with other City incentives, but will only be accessible to applicants that make at or below 100% of the area median income (AMI).

The following guidelines are intended to guide applicants and their lenders as they apply for the Central Baltimore Homebuying Incentive.

OVERVIEW

- Grant funds are for down payment assistance (DPA) in conjunction with the purchase of a primary, owner-occupied, 1 - 4 unit property. (Refer to definition under Eligible Property Type)
- Down payment assistance can be used with Fannie Mae, Freddie Mac, FHA, (203b or 203k), VA, USDA RD 502 Guaranteed, USDA RD 502 Direct loans, HUD-184 loans, conventional renovation, conventional portfolio products, and other CRA affordable lending programs that meet the eligibility criteria.
- Down payment assistance will be provided in the form of a deferred, due on sale, loan product. This is not a grant or forgivable loan product. The exception to the loan being forgivable would be in the case that a DPA borrower is in a negative equity position at the time of the sale.
- Down payment assistance loans will be fixed at \$10,000.
- Down payment assistance can be used in conjunction with other down payment assistance programs (layering of DPAs), as long as the maximum Combined Loan to Value (CLTV) per the first mortgage lending program is not exceeded.
- DPA loans are to be deployed in conjunction with a first mortgage loan product. There is no cap on the number of eligible first mortgage lenders that may be invited to participate. Participating first mortgage lenders will be invited to apply using a standardized process. Brokers offering a third-party mortgage are excluded.

PRODUCT GUIDELINES

<p>Allowable Transaction Types:</p>	<p><u>Purchases</u></p> <ul style="list-style-type: none"> • Existing home (with or without property renovation) • Short sales (see Restrictions and Commitment Period sections) • New construction (must be able to close within 6 months) please reference the New Construction period which allows for one additional extension <p><u>Refinances</u></p> <p>Central Baltimore Homebuying Incentive will subordinate to new first mortgage only if:</p> <ul style="list-style-type: none"> • Rate & term refinance with lower interest rate and/or payment • Borrower death or divorce , where one of original borrowers remains in property • Other evidence that the refinance is in the best interest of the borrower <p><u>NOTE:</u> Cash back on refinance transactions is not allowed. Cash back on purchase transactions is allowed per the first mortgage lender/investor guidelines (see Cash Back Allowance section)</p> <ul style="list-style-type: none"> • Maximum loan term is 30 years for all transaction types, with one exception. • Fixed rate mortgages only
<p>Eligible Borrowers:</p>	<p><u>Eligible</u></p> <ul style="list-style-type: none"> • First-time homebuyers • Non first-time homebuyers • Living Trusts, on behalf of a person with disabilities • Non-arm’s length transactions (e.g. family transactions) must meet agency (Fannie/Freddie, FHA, VA etc.) and/or the first mortgage lender’s guidelines • Independent Tax Identification Number (ITIN) borrower transactions

PRODUCT GUIDELINES

	<p><u>Ineligible</u> The following will not be allowed:</p> <ul style="list-style-type: none"> • Investors • Non-Occupant co-borrowers and co-signors <p><u>NOTE:</u> Employees and the ‘Immediate Family Members’ of employees of participating CDFIs are not eligible for Central Baltimore Homebuying Incentive funding. Immediate Family Member is defined as the spouse or dependent children of the nonprofit employee. A child of the nonprofit employee that is no longer financially dependent on his or her parent(s) is eligible to participate.</p>
<p>Occupancy Types:</p>	<p><u>Eligible</u></p> <ul style="list-style-type: none"> • Owner-occupied principal residence only <p><u>Ineligible</u></p> <ul style="list-style-type: none"> • No second/vacation homes • No investment property
<p>Previous Ownership Restrictions:</p>	<ul style="list-style-type: none"> • Could not have an ownership interest remaining in another residential property at the time of settlement on the new purchase. Vacant land parcels or lots are excluded from this restriction. • Evidence of transfer of ownership will be required, if applicable. <p><u>NOTE:</u> Borrowers can remain obligated on other mortgage financing if the first mortgage lender allows it.</p>
<p>Previous Ownership Restrictions- EXCEPTIONS:</p>	<ul style="list-style-type: none"> • The previous ownership restriction rule does NOT apply to non-borrowing household members. • Properties that are held in trust on behalf of a borrower that is a beneficiary of the trust will not need to be sold or transferred provided both of the following conditions apply: <ol style="list-style-type: none"> 1. The borrower (beneficiary) cannot be the settlor of the trust 2. The borrower (beneficiary) cannot have the power to direct the disposition of the trust’s assets 3. <p><u>NOTE:</u> It is the responsibility of the first mortgage lender to evaluate trust governing documents and determine whether borrower(s) satisfy these conditions, if applicable.</p>

PRODUCT GUIDELINES

Property Types:	<p><u>Eligible</u></p> <ul style="list-style-type: none"> • Single-family (attached or detached) • 2-4 Unit • Condominium • Townhome • PUD • Co-op • Land Trust <p>• Manufactured homes (meeting FNMA and Freddie Mac guidelines)</p> <p><u>Ineligible</u></p> <ul style="list-style-type: none"> • No modular condos • No mixed use properties unless permitted under FHA 203(k) program
Allowable First Mortgage Types:	<p><u>Eligible</u></p> <ul style="list-style-type: none"> • Fannie Mae / Freddie Mac fixed rate financing • FHA – including 203k • VA – 15 to 30 year fixed rate mortgages • USDA Rural Development (RD) fixed financing • Portfolio/State HFA fixed rate financing • HUD Section 184 loans • Conventional Portfolio or other CRA affordable lending fixed rate programs <p><u>Ineligible</u></p> <ul style="list-style-type: none"> • Adjustable rate mortgages • Negative Amortization • Terms exceeding 30 years (Expect for USDA 33-year term) • No temporary or permanent buy downs • No Broker transactions

PRODUCT GUIDELINES

Maximum Sales Price:	<ul style="list-style-type: none"> • Not applicable to Central Baltimore Homebuying Incentive. May be a stipulation imposed by first mortgage lender's program such as state HFA programs.
Maximum LTV/CLTV:	<p>Standard as per 1st mortgage product guidelines.</p> <p>NOTE: Conventional Portfolio products or other CRA affordable lending programs CLTV cannot exceed 105%.</p> <p>NOTE: For all products/programs: The total of all financing cannot result in cash back to the borrower See the Cash Allowances section for exceptions.</p>
Income Restrictions:	<ul style="list-style-type: none"> • Up to 100% of Area Median Income (AMI) adjusted for household size for all transactions including: Conventional, VA, State HFA, Portfolio <p>NOTE: Some state Housing Finance Agency loans, first mortgage portfolio loans and/or other down payment assistance programs may impose borrower or household income limits that are more restrictive than Central Baltimore Homebuying Incentive limits, such as 80% AMI. Central Baltimore Homebuying Incentive transactions will comply with the most restrictive income limits imposed by any other layer of financing.</p>
Lien Position:	<ul style="list-style-type: none"> • Central Baltimore Homebuying Incentive funds may be in any lien position on purchase transactions. • Central Baltimore Homebuying Incentive financing will only subordinate to new first mortgages in connection with eligible refinance transactions. See Allowable Transaction Types section.

PRODUCT GUIDELINES

Loan Term:	<p>Loan is due on sale of the property or refinancing of the first mortgage.</p> <p>NOTE: The only exception will be the refinance of the first mortgage as outlined under Allowable Transaction Types or if the borrower is selling at a loss due to short sale of foreclosure. Funds that are repaid to NHS will be returned to the pool of funds and made available for assistance to other qualified borrowers of this down payment assistance program.</p>
Qualifying Ratios:	<ul style="list-style-type: none"> • Not applicable to Central Baltimore Homebuying Incentive. Determined by the first mortgage loan program.
Minimum Credit Score:	<ul style="list-style-type: none"> • Not applicable to Central Baltimore Homebuying Incentive. Determined by the first mortgage loan program.
Amortization Types:	<ul style="list-style-type: none"> • First mortgage loans must be fixed rate only. No ARMs, balloons, temporary or permanent buy-down or interest only loans allowed. <p>NOTE: First mortgage loan terms can be between 15 and 30 years</p>
Interest Rate:	<ul style="list-style-type: none"> • The Central Baltimore Homebuying Incentive interest rate will be zero percent (0.00%) in all markets
Central Baltimore Homebuying Incentive Lender Allowable Fees:	<ul style="list-style-type: none"> • The Central Baltimore Homebuying Incentive lender's transaction level fees are restricted to a maximum of \$250 per loan. Transaction pass through fees are not included.
Homebuyer Education and Counseling Requirements:	<ul style="list-style-type: none"> • All homebuyers must have 8 hours pre-purchase education or an online equivalent, as evidenced by an acceptable completion certificate. • Lenders may work with eligible counseling agencies that are HUD-approved AND must have adopted the National Industry Standards for Homeownership Education and Counseling. • Online courses must adhere to National Industry Standards for Homeownership Education and Counseling. Any on-line course must include a minimum of one hour of one-on-one counseling. Most require payment of a separate participation fee to the provider. • Pre-purchase education must be completed before closing. Borrowers that have previously completed their pre-purchase education through an approved provider must have a completion certificate that is dated not more than 12 months prior to closing. <p>NOTE: 2-4 unit buyers must also have landlord education provided by a HUD-approved organization.</p>

PRODUCT GUIDELINES

Cash Reserve Requirements:	<ul style="list-style-type: none"> • Not applicable to Central Baltimore Homebuying Incentive. Determined by the first mortgage loan program.
Cash Back Allowances:	<p>Cash back to the borrower is not allowed on Central Baltimore Homebuying Incentive transactions except in the following instances:</p> <ul style="list-style-type: none"> • Verified Earnest Money deposits that exceed the borrower’s out-of-pocket settlement costs requirements may be refunded to the borrower. • Fees paid in advance to the first mortgage lender by the borrower that are subsequently allowed to be included in one or more layers of transaction financing (such as a credit report, appraisal fee, hazard insurance) may be refunded to the borrower. <p>NOTE: The first mortgage lender must advise the Central Baltimore Homebuying Incentive organization if cash back is allowed or expected in any transaction.</p>
Allowable Sales Concessions or Contributions:	<ul style="list-style-type: none"> • Not determined by Central Baltimore Homebuying Incentive. Established by the first mortgage loan program.
Assumability:	<ul style="list-style-type: none"> • Not allowed
Prepayment Penalty:	<ul style="list-style-type: none"> • Not allowed
Deed Restrictions:	<ul style="list-style-type: none"> • Not applicable to Central Baltimore Homebuying Incentive. May be a requirement of the first mortgage loan program.
Mortgage Insurance Requirements (PMI/MIP):	<ul style="list-style-type: none"> • Not applicable to Central Baltimore Homebuying Incentive. May be a requirement of the first mortgage loan program.

UNDERWRITING GUIDELINES

Commitment Periods:

Commitment Periods represent firm commitments to provide Central Baltimore Homebuying Incentive funds in connection with eligible transactions that have been fully reviewed and approved by CDFI underwriters.

Commitment Period terms and settlement requirements will be fully detailed in the form of a Conditional Commitment Letter.

Conditional Commitment Letters will only be issued in connection with eligible 1st mortgage transactions offered by Approved Lenders in Central Baltimore Homebuying Incentive markets.

Purchases

Central Baltimore Homebuying Incentive commitments will be valid for 90 days from the date of issuance. Borrowers will need to complete the purchase transaction prior to the commitment's expiration date in order to secure Central Baltimore Homebuying Incentive financing.

Commitment period extensions will only be granted in the following circumstances:

Sale of Existing Home

A 30 day extension may be granted to complete the sale of an existing primary residence.

Short Sales

Eligible short sales require a signed purchase contract accepted by both the seller and buyer. Initial short sale commitments are then valid for 90 days.

One additional 90 day commitment extension may be granted provided there is some confidence the transaction can be closed within the second 90-day commitment period.

NOTE: In order to close and fund a short sale transaction that involves Central Baltimore Homebuying Incentive financing, satisfactory evidence of a fully ratified contract, with terms accepted by the subject property lienholder(s), is required prior to closing.

New Construction

Initial new construction commitments will be valid for 180 days. An additional 30- 60 day extension can be granted by the local non- profit if the builder certifies that the construction will be complete and can be closed.

UNDERWRITING GUIDELINES

Renovation Loans

A one-time 30 day extension may be granted if the contractor and inspector certifies that the renovations will be complete in 30 days; no subcontractor liens and extension is needed to complete work within the original scope.

Property Defects/Valuation Gaps

Borrowers may execute purchase contracts on properties that are subsequently rejected by the first mortgage lender during the initial 90 day commitment period for home inspection failure, appraisal defects, valuation gaps etc. or in cases where the contract expires, through no fault of the buyer, and is not extended by the seller.

These borrowers will be offered a one-time additional 90 day commitment extension in which to secure and close on another property. The borrower must be under contract on the new home prior to the expiration of the initial 90-day commitment period in order to qualify for the extension.

Minimum & Maximum Loan Amounts:

Maximum first mortgage amounts are tied to agency or lender limits and depend on the loan type: (Fannie, Freddie, FHA, VA, Portfolio, etc.) and the first mortgage loan program.

The Central Baltimore Homebuying Incentive down payment loan amount will be the same for every transaction and not based on borrower need. Exceptions to the standard down payment loan amount may be considered based on market (not borrower) needs and should be submitted in writing for review by BRNI BOOST staff.

<p>Borrower Minimum Investment:</p>	<ul style="list-style-type: none"> • Not determined by Central Baltimore Homebuying Incentive. Borrower minimum investment requirements vary by first mortgage loan program or other down payment assistance providers. FHA always requires 3.5% from the borrower’s resources unless other eligible down payment assistance programs are layered in the transaction and allow for a lower minimum investment from the borrower. <p>FHA – CLTV generally limited to 96.50% unless Central Baltimore Homebuying Incentive CDFI or other down payment assistance provider is a government agency or nonprofit ‘Instrumentality of Government’. If so, allowable CLTV may be up to total acquisition costs.</p> <ul style="list-style-type: none"> • The first mortgage lender is responsible for determining the borrower’s minimum investment when other down payment assistance programs or seller concessions are part of the transaction.
<p>Maximum LTV/CLTV:</p>	<ul style="list-style-type: none"> • Not determined by Central Baltimore Homebuying Incentive. LTV/CLTV limits vary by first mortgage loan program. In general: <p>FHA – CLTV generally limited to 96.50% unless Central Baltimore Homebuying Incentive organization or other down payment assistance provider is a government agency or nonprofit ‘Instrumentality of Government’. If so, allowable CLTV may be up to total acquisition costs</p> <p>NOTE: For 203K, the total CLTV is calculated on the Renovation Mortgage Worksheet and may exceed 96.50%. The borrower must meet the minimum investment required by FHA from an acceptable source.</p> <p>Conventional – CLTV limits generally range from 95% to 105% depending on first mortgage loan program. CENTRAL BALTIMORE HOMEBUYING INCENTIVE funds are considered an eligible secondary financing source in connection with Fannie/Freddie products.</p> <p>VA –LTV limit is 100% - CLTV % limit is not specified by VA</p> <p>Portfolio/State HFA – Set by portfolio lender or state housing finance agency</p>

UNDERWRITING GUIDELINES

Central Baltimore Homebuying Incentive Funds Eligible Uses:

Central Baltimore Homebuying Incentive funds can be used in one of the following ways depending on the first mortgage loan program and/or any other down payment assistance provider's allowable CLTV and/or borrower contribution requirements. In general:

1. If the loan program's allowable CLTV is **less** than 100%, the borrower must make their minimum investment from their own resources (which may include gift funds if allowed) and pay settlement costs themselves or find other options, such as seller or lender paid settlement costs. Central Baltimore Homebuying Incentive funds can only be used as additional down payment on top of the minimum out-of-pocket investment the borrower must make.
2. If the loan program's allowable CLTV is **equal** to 100%, there will be no borrower minimum investment so Central Baltimore Homebuying Incentive funds can be used entirely as a down payment, but the borrower will still pay settlement costs themselves or find other options such as seller or lender paid settlement costs.
3. If the loan program's allowable CLTV is **greater** than 100%, there will be no borrower minimum investment. Some or all of their settlement costs could come from Central Baltimore Homebuying Incentive, as long as paying those costs keeps the transaction within the allowable maximum CLTV. The remainder of Central Baltimore Homebuying Incentive funds not used towards the borrower's settlement costs will then be used towards additional down payment.

NOTE: The first mortgage lender is responsible for the accuracy of all CLTV restrictions and calculations.

UNDERWRITING GUIDELINES

Higher Price & High Cost Mortgage Loans	<ul style="list-style-type: none"> • CDFI must comply with current standards, rules, regulations and laws in place regarding Higher Priced Mortgage (HPMLs). • NHS reserves the right to remove any first mortgage lender found in violation of any of the standards listed above from its approved lender list and from the program. • High Cost Mortgage Loans (Section 32 HOEPA loans) will NOT allowed in connection with Central Baltimore Homebuying Incentive financing.
Property Insurance Requirements:	<ul style="list-style-type: none"> • NHS must be named as a subordinate loss payee or mortgagee on the homeowner’s insurance policy during the entire term of the Central Baltimore Homebuying Incentive lien. <p>NOTE: This requirement will not apply to condos, co-ops or other properties where a single Master Policy covers multiple dwelling units in a development.</p>
Flood Insurance Requirements:	<ul style="list-style-type: none"> • NHS will be named as a subordinate loss payee or mortgagee on the homeowner’s flood insurance policy during the Central Baltimore Homebuying Incentive lien.
Title Insurance Requirements:	<ul style="list-style-type: none"> • The Central Baltimore Homebuying Incentive lien will not require a lender’s title insurance policy.
Property Rehab Standards:	<ul style="list-style-type: none"> • Not determined by Central Baltimore Homebuying Incentive. May be a requirement of the first mortgage loan program, such as FHA 203(k).
Documentation Standards:	<ul style="list-style-type: none"> • Full, substitute or alternative documentation for employment, income and assets only. Income documents are valid for up to 90 days. <p>NOTE: New income documents that are received by the Central Baltimore Homebuying Incentive organization prior to loan closing will be reviewed and evaluated for continued program compliance.</p>
Minimum FICO Standards:	<ul style="list-style-type: none"> • Not applicable to Central Baltimore Homebuying Incentive. Determined by the first mortgage loan program.

Appraisal Standards:

• A full appraisal will NOT be required by the Central Baltimore Homebuying Incentive nonprofit lender. Central Baltimore Homebuying Incentive Grantees will request and review the following property valuation sections of the applicable appraisal to ensure that the property meets Central Baltimore Homebuying Incentive program guidelines and that Central Baltimore Homebuying Incentive funds are not being inappropriately used to cover appraisal value gaps.

- Fannie Form 1004 - Uniform Residential Appraisal Report (Pages 1-3)
- Fannie Form 1073 - Individual Condominium Unit Appraisal Report (Pages 1-3)
- Fannie Form 1025 - Small Residential Income Property Appraisal Report (Pages 1-4)

NOTE: Freddie Mac HomeSteps transactions may not require an appraisal. The first mortgage lender is responsible for determining if an appraisal is required and for notifying NHS if the transaction does not require one.

HOMEOWNERSHIP INCOME STANDARDS

<p>Household Income Limitations Analysis:</p>	<ul style="list-style-type: none"> • Central Baltimore Homebuying Incentive funds will be available only to eligible borrowers whose household income is equal to or less than 100% of Area Median income (AMI) depending on the type of first mortgage loan program. <p>NOTE: Some state Housing Finance Agency loans, first mortgage portfolio loans and/or other down payment assistance programs may impose borrower or household income limits that are more restrictive than Central Baltimore Homebuying Incentive limits, such as 80% AMI. Central Baltimore Homebuying Incentive transactions will comply with the most restrictive income limits imposed by any other layer of financing.</p> <p>NHS will be required to collect and analyze its own household income documents in connection with Central Baltimore Homebuying Incentive loan income documentation standards.</p> <p>NOTE: The first mortgage lender will be responsible for determining that its first mortgage loan program complies with any programmatic Area Median Income limit thresholds. Central Baltimore Homebuying Incentive grantees are only responsible for income limit compliance with the Central Baltimore Homebuying Incentive loan.</p>
<p>Step 1 – Determine Household Size:</p>	<p>Count</p> <ul style="list-style-type: none"> • All borrowers who plan to live in the new home • All non-borrower adults (age 18 & older) with any type of income who will live in the home • Full time students (age 18 & older) with or without income • All minors (under age 18) with or without income
<p>Step 2 - Determine Household Income:</p>	<ul style="list-style-type: none"> • Using the income treatment methodology from this section, calculate the total household member’s annual income to be considered in household income limits. <p>Include:</p> <ul style="list-style-type: none"> • All borrowers who plan to live in the new home • All non-borrower adults (age 18 & older) with any type of income who will live in the new home <p>Exclude:</p> <ul style="list-style-type: none"> • Full time students (age 18 & older) with or without income who will live in the new home • All minors (under age 18) with or without income who will live in the new home

HOMEOWNERSHIP INCOME STANDARDS

	<ul style="list-style-type: none"> • SSI benefits for minors (under age 18) • Foster Care payment for minors (under age 18) 		
Step 3 - Determine Income Eligibility:	<ul style="list-style-type: none"> • Using the applicable AMI limits chart for the market, find the corresponding household size column based on the results of Step 1 calculations. • Add the total household income based on the results of Step 2 calculations. • Compare the calculated total household income amount to the maximum income allowed based on the family size and the type of loans. 		
INCOME/ASSET TYPE	DESCRIPTION	DOCUMENTATION	CALCULATION
Salaried or Hourly Earnings:	<p>Salaried or hourly earnings are generally derived from base employment income for all present employers.</p> <p>If the borrower does not have a two year history with the same employer, previous employment income within the past 2 years may also be evaluated.</p>	<p>Verified using the following acceptable substitute documentation:</p> <ul style="list-style-type: none"> • Most recent 30 days of pay stubs • W-2s for all present and past employers over the previous 2 years • Two years tax returns with all forms, schedules and attachments including W-2s and 1099s • Absent any of the above documentation, the standard Verification of Employment may also be used. 	<p>Income calculations are based on the method of pay and the recurrence of earnings.</p> <p>Multiply the current rate of pay by the corresponding pay period and then by number of pay periods in a year.</p> <p>EXAMPLE 1 Borrower earns \$22.50 per hour and works 37 ½ hours per week. Multiply \$22.50 x 37.50 = \$843.75 x 52 weeks = \$43,875 per year.</p> <p>EXAMPLE 2 Borrower earns \$15.75 per hour and works 80 hours every two weeks. Multiply \$15.75 x 80 = \$1260.00 x 26 pay periods = \$32,760 per year.</p> <p>EXAMPLE 3 Borrower is salaried and earns \$3200 per month. Multiply \$3200 x 12 months = \$38,400</p>

HOMEOWNERSHIP INCOME STANDARDS

<p>Variable Income Earnings:</p>	<p>Variable income earnings includes income such as overtime, tips, commissions, bonuses, 2nd jobs, seasonal jobs, odd jobs, seasonal unemployment, family contributions and military income.</p>	<p>Verified using the following acceptable substitute documentation:</p> <ul style="list-style-type: none"> • Most recent 30 days of pay stubs • W-2s for all present and past employers over the previous 2 years • Two years tax returns with all forms, schedules and attachments including W-2s and 1099s • Absent any of the above documentation, the standard Verification of Employment may also be used. 	<p>Average YTD earnings and previous 1 to 2 years of annual earnings if applicable.</p>
<p>Self-Employment Earnings:</p>	<p>Self-employment income is forecasted and annualized using YTD Profit & Loss Statements and up to 2 years of tax returns.</p> <p>Net operating income for YTD P&Ls and tax returns is used</p>	<p>Verified using the following acceptable substitute documentation:</p> <ul style="list-style-type: none"> • Two years tax returns with all forms, schedules and attachments including W-2s and 1099s <u>AND</u> • The most recent (quarterly) year-to-date 	<p>Determine the net income amount from the YTD profit and loss statement and the previous 1-2 year's tax return;</p> <p>Divide the total by the number of months included in the P&L statement and tax return timeframe to arrive at the average monthly income then multiply by 12.</p>

HOMEOWNERSHIP INCOME STANDARDS

	<p>from the P&L or tax returns.</p> <p>date profit loss/income statement for the business <u>OR</u></p> <ul style="list-style-type: none"> • An industry standard self-employment income analysis form (Fannie Mae Form 1084 Cash Flow Analysis or Freddie Mac Form 91 Income Analysis)
<p>Fixed Income Earnings:</p>	<p>Fixed income includes other types of earnings such as retirement income, government assistance, disability, alimony, child support or separate maintenance.</p> <p>Social security, retirement, pensions, workers compensation, severance pay, disability or death benefits, and Medicaid. (Food stamps are excluded from the calculation of household income.)</p> <ul style="list-style-type: none"> • Copy of statement supplied from the source of the income (i.e. award letter), and copies of checks or two most recent bank statements showing receipt of such payment. <p>Child support or alimony requires the divorce decree or separation documents and any court ordered support documentation along with (bank statements, checks, and/or statement from a state agency) indicating amount being paid.</p> <p>To compute annual income from social security, disability or death benefits, pension, adoption assistance, public assistance, etc.:</p> <p>Multiply the gross amount paid monthly by 12.</p> <p>To compute the annual income from child support or alimony:</p> <p>Multiply the amount received by the number of payment periods in the year and annualize based upon the amount and frequency of payments.</p>

HOMEOWNERSHIP INCOME STANDARDS

<p>Investment/Asset Earnings:</p>	<p>Investment/Asset earnings include regular, scheduled, periodic payments from trusts, annuities, inheritances, interest, dividends etc.</p> <p>Does not pertain to one-time gains such as sales of assets or gains from the sale of a prior residence.</p>	<ul style="list-style-type: none"> • Copy of statement supplied from the source of the income, copies of checks or two most recent bank statements showing receipt of such payments. • Two years of personal tax returns with all forms, schedules and attachments including W-2s and 1099-INTs, 1099-DIVs or 1099 Consolidated forms <p>NOTE: The income should be reduced proportionately, if the borrower plans to liquidate all or some of the assets that generate the income to close on the home purchase.</p>	<p>To compute income from investments/assets, calculate the interest earned on any YTD monthly or quarterly investment statements along with annual interest earnings from the investment/asset from 1099-INT or 1099-DIV form.</p> <p>Divide the total amount by the number of months in the earnings period and multiply the result by 12.</p>
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HOMEOWNERSHIP INCOME STANDARDS

<p>Net Rental Income (Principal Residence)</p>	<p>In a purchase transaction, income from rental units in a borrower's 2-4 unit principal residence is NOT considered income for Central Baltimore Homebuying Incentive qualification purposes.</p>	<p>Projected rental income, if used and calculated in the borrower's annual income, will effectively keep many moderate income families from taking advantage of Central Baltimore Homebuying Incentive funds to buy multi-unit properties.</p> <p>In addition, Central Baltimore Homebuying Incentive - related purchase transactions involving 2-4 unit properties may have additional beneficial effects in Central Baltimore Homebuying Incentive communities by providing additional rental options for tenants that may not have access to other rental housing.</p>	<p>The first mortgage lender is still responsible for underwriting the rental income from a 2-4 unit purchase using whatever methodology the first mortgage loan program requires.</p>
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