



SoftSecond[®] Loan Program Disclosure Statement

This Disclosure Statement describes the terms, conditions and restrictions that apply to potential homebuyers who wish to participate in the SoftSecond Loan Program (“the Program”). Anyone intending to purchase a home under the Program is required to acknowledge at the time of loan prequalification that they have read this Disclosure Statement and understand the restrictions imposed on them during the time they own their home and in the event they decide to sell their home.

I. Program Overview

The Program is a public/private initiative designed to increase affordable housing opportunities for low and moderate-income first-time homebuyers. The Program has been developed by private lending institutions, the Commonwealth of Massachusetts, acting through its Department of Housing and Community Development (DHCD), the Massachusetts Housing Partnership (MHP) and community organizations.

The Program makes homeownership possible for qualifying and creditworthy households. Buyers must make a down payment of at least 3% of the purchase price if purchasing a condominium, single family or two-family property. A 5% down payment is required if purchasing a three-family property. The remaining 97% of the purchase price (95% for three-family properties) is broken down into two mortgage loans. The first loan is limited to 77% of the value of the property (75% for three-family properties) thereby eliminating the need for private mortgage insurance. The second loan amount is 20% of the purchase price or \$20,000, whichever is greater. Some buyers will receive a subsidy which is applied to partially reduce the interest payments the buyer must make on the second loan for the first nine years and which does not have to be repaid until the home is sold or otherwise transferred.

II. Structure of Buyer’s Monthly Payments

Program participants must make full and timely payments of interest and principal under the first loan in accordance with the terms of the first mortgage. For the first 10 years of the second loan, the buyer makes no payments on the principal amount of the second loan but is responsible for paying the interest on the second loan at the stated rate. In addition, for the first nine years, income eligible buyers may qualify for a public subsidy loan to help meet the monthly second mortgage interest payments, as explained below.

Participating lenders who originate the first and second mortgages must allow buyers to qualify by using up to 33% of their gross income for housing. Please see the SoftSecond Loan Program Guidelines for exceptions to the 33% housing ratio. In addition, the Program requires that buyers dedicate at least 28% of their gross income for housing (at least 25% for two-family properties) before receiving interest subsidy. Buyers of three-family properties are not eligible for interest subsidy. The buyer’s payments and public subsidy are calculated as follows. The lender determines the payments for principal and interest for this first mortgage, real estate taxes, fire and hazard insurance, and, if applicable, condominium fees. These amounts are subtracted from the buyer’s gross income dedicated for housing (explained in the paragraph above). In the case of a two-family or three-family home, 65% of rental income will be counted toward qualifying income. Whatever remains of the buyer’s gross income dedicated for housing (including rental

income, if applicable) is applied to the second mortgage interest payments. If there is a gap between the required second mortgage interest payment and the buyer's contribution, a public subsidy loan is provided.

The public subsidy will decline over time and will not exceed the following percentages:

Years 1–5	No greater than 75% of the interest due on the second mortgage
Year 6	80% of the previous year's amount
Year 7	75% of the previous year's amount
Year 8	67% of the previous year's amount
Year 9	50% of the previous year's amount
Year 10	0%

As the subsidy declines the buyer's payments increase to cover the total payment due. After year 10 the buyer is also obliged to make principal payments on the second loan.

No private mortgage insurance (PMI) is required on SoftSecond Loans. Public funds are used to provide a loan loss reserve for the lender. The interest subsidy cannot exceed 75% of the monthly second mortgage payment and cannot, in combination with the loan loss reserve, be more than \$12,000. In some cases, a buyer might not need any subsidy assistance because his or her income will be high enough to cover the monthly costs of both the first and second mortgages on a desired house. In this case, the buyer will still qualify for public assistance to the loan loss reserve that makes possible the second mortgage and eliminates the need for costly private mortgage insurance.

III. Subsidy Repayment

If you receive a second mortgage interest subsidy, the subsidy must be repaid when you sell or otherwise transfer your home. If you sell within five years of your purchase, you must pay back the full value of the subsidy payments used by the lender to reduce your second mortgage payments (the "Subsidy Payments"). If you sell after five years, you must pay back the lesser of the Subsidy Payments or 20% of the net appreciation you realize from the sale. In all cases, the subsidy repayment obligation shall be fully subordinate to repayment of the outstanding balance due under the first mortgage loan. Net appreciation is the positive difference between the resale price and the purchase price you paid for the property (less appraisal costs and broker's fees). Both prices must reflect good faith, arm's length transactions. If 20% of net appreciation is not greater than the Subsidy Payments, you may be required to provide a professional real estate appraisal at your cost to support the resale price. The higher value (appraised value or resale price) will be used to calculate net appreciation for the purpose of subsidy repayment.

IV. Participation in the SoftSecond Loan Program

Participation in the Program is limited to income eligible first-time home-buyers, whose total household liquid assets do not exceed \$75,000 during the application process. Assets are considered savings and checking accounts, gifted money (including gifts of equity), stocks, bonds, other forms of capital investments (excluding retirement accounts such as 401(k), 403(b), 457 and IRA accounts, as well any government approved college savings plans), real property (land owned or bequeathed).

A first-time homebuyer is someone who has not owned a home in the past three years (some exceptions apply.) Participating lenders will pre-qualify buyers. The lender may require that you obtain a credit report at your expense. If based on your credit history, income, and savings, you choose to participate in the Program, the bank will contact MHP and submit a subsidy reservation on your behalf. If MHP determines that you qualify, and there are funds available in the community where you plan to purchase, MHP will provide the bank with a subsidy reservation.

V. The Subsidy Reservation

The subsidy reservation is not a commitment on the first and second loans. Once you have received the subsidy reservation, you have sixty (60) days to locate a home and complete a mortgage application for your first and second loans with a participating lender. At this time the lender will verify your income, assets and credit record. If you qualify for the loans, the lender has thirty (30) days to issue a commitment letter to you. In the event that you fail to obtain and accept a commitment letter in ninety (90) days from the date of the subsidy reservation, your subsidy reservation will expire.

VI. Program Requirements and Restrictions

The Program requires that you obtain a first and second loan and agree to execute all loan documents required by the lender, such as a first and second mortgage, at the time of closing. In addition, if you receive a second mortgage interest subsidy, you will be required to sign a Subsidy Note, a Subsidy Mortgage and a Subsidy Agreement at the closing. All of these documents will set out in detail the terms and conditions of your actual loans and the payment and other obligations that you have undertaken. Your obligation to the lender is for the full amount of the second note, even if you are eligible to receive a public subsidy. The Subsidy Agreement obligates MHP to pay the subsidy to the bank on your behalf.

It is a general requirement that you must use the home you purchase under the Program as your primary residence. It is also a requirement of the Program that you complete approved pre- and post purchase homebuyer education courses. You must complete the pre-purchase education course before closing on your home. You must complete the post-purchase course within one-year of closing on your home.

If you have any difficulty paying your mortgage loans at any time in the future, the Program may be able to offer counseling services to assist you with your financial difficulties. It is a requirement of the Program that you authorize the lender to notify a qualified local counseling agency in the event that your loan payments become more than 30 days delinquent so that the counseling agency may offer you their services. You are encouraged to use the services offered but are under no obligation to do so.

VII. Refinancing

If you want to refinance or take out a home equity loan, you can repay the amount of the subsidy MHP has applied to your Second Mortgage to date. You can also request that MHP subordinate the Subsidy Mortgage and defer repayment until you sell or transfer the property. If you request a repayment, MHP will review your proposed refinancing and may require you to talk with a qualified counselor.

VIII. Acknowledgments

I acknowledge that I have read this Disclosure Statement and that I understand the benefits and restrictions of the Program, including the amount of monthly payments I must make on the first and second loans and that I must repay the subsidy when I sell my home. If I participate in the program, I authorize the lender to notify a qualified local counseling agency in the event that my loan payments become delinquent so that I may be offered counseling services.

I acknowledge that MHP is relying upon the truth and accuracy of the information contained in my loan application and in the other documents and information I submitted to the Lender, including information pertaining to my income, household size and household income, assets, and liabilities (the "Financial Information") in determining my eligibility to participate in the Program and, if applicable, my eligibility to receive a second mortgage interest subsidy. I warrant and represent to MHP, under pains and penalties of perjury, that the Financial Information accurately, completely

and fairly reflects my financial condition at the time submitted, and understand and agree that if the Financial Information is proved to be false in any material respect when given, my obligations to MHP under the subsidy note and mortgage, if applicable, shall, at the election of MHP, become immediately due and payable in full.

I acknowledge that I received a copy of this Disclosure Statement prior to receiving my SoftSecond Subsidy Reservation.

Buyer

Date

Witness

Buyer

Date

Witness

Buyer

Date

Witness