

Date:

Dear:

As the President of CBC Mortgage Agency, I want to thank you for the opportunity to serve you by assisting with the down payment on your new home. I would also like to provide you with some important details about the choices you have in the financing of your home. Our government agency is working with your lender, \_\_\_\_\_, to provide you down payment funds in conjunction with the first mortgage loan you are receiving. The down payment funds we provide are typically in the form of a second mortgage, which you may or may not be required to repay based on the specific down payment assistance program you qualify for.

**Our Mission - As a federally chartered, public purpose, government agency, we work to increase affordable and sustainable homeownership opportunities for credit worthy individuals who lack down payment funds.**

Given your home ownership and financial security goals, it is critical that you fully understand your mortgage terms. You have chosen to obtain home financing by using a mortgage professional. That was a good decision. Undoubtedly, in the course of the mortgage application process, they have explained to you the various alternative types of mortgages and the features, advantages, and trade-offs of each.

In addition, you have received a number of documents which disclose the key terms of the first mortgage type you have selected. You will also be provided with the promissory note which obligates you to repay the money you are borrowing. That note describes in detail how your mortgage will work. I encourage you to read these documents carefully and to consult with your mortgage professional if you should have any questions.

The following are a few important points for you to consider as you go through the home buying process.

#### DOWN PAYMENT AND INTEREST RATE - OPTIONS AND DECISIONS

The terms of your first mortgage can be impacted if you don't have your own down payment. It is possible that the interest rate on your first mortgage is higher than if you provided your own down payment. In addition, there can be a significant difference in the interest you are paying on your first mortgage depending on the down payment program you utilize. To determine which option makes the most sense for you, you should consider things like how long you think you will be in your new home. For example, if you qualify for a forgivable second mortgage, but you plan to be in your home more than 5-7 years, the additional interest you are charged on your first mortgage may exceed the amount of the forgivable second mortgage you are receiving. If this is the case, you may want to opt for a repayable second mortgage that gives you a better interest rate on your first mortgage, or you may want to bring in your own down payment.

Ask your licensed mortgage loan professional what the interest rate on the first mortgage would be were you to provide your own down payment. You can then better choose between the down payment options as described below:

#### **Option 1- Save up your own down payment, and receive no down payment assistance and the associated second mortgage.**

Advantages:

- Typically, a lower interest rate on the first mortgage
- Potentially easier processing and underwriting

Disadvantages:

- While saving up the down payment, the home you're looking may be sold.
- While saving up the down payment, home prices in general may go up, resulting in your inability to afford the home or in less future equity and wealth creation if you do purchase the home later.
- You are left with diminished savings in your bank account, causing financial difficulty or consumer borrowing to purchase furniture, yard equipment, etc. You may also lack the funds to cover an unforeseen event, i.e. unforeseen repairs or medical emergency.

#### **Option 2 - Buy a home now and obtain your down payment through the Chenoa Fund DPA Edge Program, provided by CBC Mortgage Agency.**

Advantages:

- Potentially enjoy future increased household net worth by buying now if home prices increase over time.
- Purchase from currently available properties without risking that inventory will be sold months when you're finally ready to buy.
- Potentially not be required to pay back the down payment you receive from the Chenoa Fund. ***Borrowers qualifying for the potential repayment forgiveness program cannot exceed specific income threshold requirements*** (certain additional restrictions apply for us to forgive the balance of the second mortgage, including 36 months of consecutive on-time first mortgage payments.)
- Typically pay a higher interest rate on the first mortgage, causing you to lock in a higher payment for potentially years. ***Over time, the amount of additional interest you pay on the first mortgage could exceed the amount of the down payment assistance.***
- CBC Mortgage Agency will not subordinate the second mortgage in the first 3 years of the loan. This means that if interest rates drop 6 months after you purchase the home and you desire to refinance, you may be required to repay the down payment you received, or be prevented from refinancing altogether.

**Option 3 - Buy now and obtain your down payment through the Chenoa Fund Rate Advantage Program, provided by CBC Mortgage Agency.**

Advantages:

- Competitive market interest rates on the first mortgage.
- Potentially enjoy future increased household net worth by buying now if home prices increase over time.
- Purchase from currently available properties without risking that inventory will be sold when you're finally ready to buy.
- Preserve any funds you currently have in your bank account and use them to cover emergencies, furniture, yard equipment, etc. Oftentimes, new homeowners purchase a home, and given they now lack cash, they finance needed household items on credit, at terms much worse than they could have had under a second mortgage through CBC Mortgage Agency.

Disadvantages:

- You will be required to repay the down payment assistance funds at a fixed rate of interest over a 10-year period instead of having the option for repayment over a 30-year period.
- Although your interest rate on the first mortgage will be significantly less than if you choose Option 2, it could still be higher than if you bring in your own down payment.

CLOSING PROCESS

If your loan is approved, you will later go to closing to sign documents to own the home. This will entail signing many agreements which obligate you to repay the money you have received. In addition, you will sign a set of second mortgage documents for the down payment assistance funds, and there will be a second mortgage lien attached to the title of your property that will not be subordinated and will only be released after the loan is paid off, or in the case of a forgivable second mortgage, after 36 months of consecutive on-time first mortgage payments have been made. **If the second mortgage needs to be paid off over time on a monthly basis you will have two payments, one for the first mortgage and one for the second mortgage.**

POST CLOSING - OWNING YOUR OWN HOME

Now you have achieved the dream of homeownership, a fundamental goal of most Americans. We strongly believe in the merits of homeownership, since homeownership has been demonstrated to improve health, educational performance, stability of communities, household wealth creation, and more stable retirement years. You will likely come to see and enjoy these benefits in your own life.

Since we are interested in not only helping you buy a home, but keeping it, if you face a situation that prevents you from making a mortgage payment on time, it is critical that you discuss this with your lender before the problem grows. Often times a struggling homeowner will "hide" and not speak with the mortgage company, hoping the problem will fix itself. This is the worst thing you can do, since the hole created could grow too big to climb out of.

A final comment: It is likely that your first mortgage will be sold from time to time. The terms of your loan will not change regardless of who owns it. Do not be alarmed by this. It is normal. You will be notified in writing by both the company selling the

mortgage, as well as the company buying the mortgage. Even though we may sell your first mortgage loan, we are still highly motivated in seeing you succeed as a new homeowner.

To that end, we will take proactive steps to stay in touch with you over the next year. Look at us as your friend and advisor. If you have qualified for a forgivable second mortgage, we are anxious to see you successfully meet the 36-month forgiveness schedule, and will reach out to you via letter, email, and phone from time to time. We call this our Borrower Success Program. We want to be a resource to you. Should you have difficulty with your new lender, it may be possible for us to help.

Our Borrower Success Program is implemented through our partnership with Hope Loan Port (HLP), a HUD approved, non-profit counseling agency. We work hand-in-hand with HLP to ensure you have all the tools and resources you need to be a successful, long-term homeowner. Over the next twelve months, HLP and CBC Mortgage Agency will reach out to you via letter, email and telephone to check in, offer assistance as needed, or to simply congratulate you on your continued success. The Borrower Success Program is offered free of charge, and we hope you will take advantage of this valuable service.

We wish you success in this highly rewarding endeavor—the dream of homeownership. We are here as your friends and advocates. Please don't hesitate to use us as a resource in the months and years ahead.

Sincerely,

Richard Ferguson  
President  
CBC Mortgage Agency

NOTICE: THIS LETTER CONTAINS IMPORTANT INFORMATION ABOUT YOUR DOWN PAYMENT ASSISTANCE.  
PLEASE READ CAREFULLY.

By signing below, I acknowledge that I have read and understand the above information.

\_\_\_\_\_  
Borrower

\_\_\_\_\_  
Date

\_\_\_\_\_  
Borrower

\_\_\_\_\_  
Date