

Loan Number:

Date:

Dear: **Borrower Name**

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 company is working with your lender **Name of Lender**, to provide you down payment funds in conjunction with the first mortgage loan you are receiving. The down payment funds we provide are 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 rate 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 personal savings for the down payment.

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

Option 1 – Save for the down payment funds needed, and receive no down payment assistance and the associated second mortgage.

Advantages:

President's Letter

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

Disadvantages:

- While saving up for the down payment, the home you're looking at now may be sold.
- While saving up for the down payment, home prices in general may go up, increasing the amount of time it will take to afford the home and begin to build future equity.
- Utilizing all of your personal savings for the down payment can leave you with less savings in your bank account to cover unforeseen events such as a sudden job loss, medical emergency or home or auto repairs.

Option 2 – Buy a home now and obtain your down payment through a down payment assistance program.

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.
- If you qualify for the repayment forgiveness program, the down payment assistance may be forgivable after 36 months of on-time payments of the first mortgage. **Borrowers qualifying for the repayment forgiveness program cannot exceed specific income threshold requirements. Please ask your mortgage loan professional for details and your qualification status for this program.**

Disadvantages:

- The interest rate can be higher on the first mortgage resulting in a higher monthly mortgage payment. **Over time, the amount of additional interest you pay on the first mortgage could exceed the amount of the down payment assistance.**

CLOSING PROCESS

If your loan is approved, you will later go to closing to sign the documents to own the home. In addition, you will sign a set of second mortgage loan documents for the down payment assistance funds, and there will be a second mortgage loan 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 or 120 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.

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, we encourage you to discuss this with your lender before the problem grows. We want to do our part in helping you succeed as well and to this end, we will stay in touch with you over the next year and a half. Look at us as your friend and advisor, here to help and guide you through our partnership with Money Management International (MMI), a HUD approved, non-profit housing counseling agency. We work hand-in-hand with MMI to ensure you have all the tools and resources you need to be a successful, long-term

