Charles County
First Time Home Buyers
Settlement Expense Loan Program

For

Charles County

County "SELP"
Program Guidelines
& Procedures

December 1997
Revised April 1, 2025
Effective July 1, 2025

Supported by
Charles County Commissioners

Administered by
Department of Community Services
Housing Authority
8190 Port Tobacco Road
Port Tobacco, Maryland 20677
Phone 301-934-9305 Fax 301-934-5624

Visit our website at
www.charlescountymd.gov/cs/housing/

Highlights of the

Charles County "SELP"

First Time Home Buyers
Settlement Expense Loan Program

This program is an effort to encourage first time home buyers to consider home ownership in existing residential communities in Charles County. The program is administered by Charles County Department of Community Services. Settlement expense loans up to $6,000 are available to families whose income is at or below 100% of area median, adjusted for household size:

Household Size	1	2	3	4	5	6	7	8
Income Limit[1]	$114,800	$131,200	$147,600	$163,900	$177,100	$190,200	$203,300	$216,400

BUYER ELIGIBILITY

1. Meet Income Eligibility: 100% of area median, adjusted for household size.
2. Home buyer/ head of household must be a resident of Charles County for at least one (1) year as verified by Federal/ Maryland State Tax Returns or work in the County continuously for the last year with a minimum of 32 hours worked per week.
3. First time home buyer (cannot have previously owned a dwelling within the last three (3) years). Exceptions granted for divorce, death of spouse, or owner of substandard housing.
4. Qualify for a fixed rate mortgage with a Participating Lender. See Referral List.
5. Post purchase liquid assets cannot exceed 15% of gross annual household income.
6. Housing counseling from a HUD approved housing counselor before obtaining a mortgage loan is required. (See HUD approved list at http://www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm)

PROPERTY CRITERIA

1. Existing dwelling that is owner occupied, occupied by buyer, or vacant. New construction and FHA 203 loans are excluded.
2. Dwelling types: Single family detached, semi-detached, townhouse, or condominium apartment.

SELP LOAN TERMS

1. SELP Loan Amount: Minimum $1,000, Maximum $6,000.
2. Buyer's minimum cash contribution: 5% of gross annual household income.
3. The loan will accrue interest of 5% in the first year only.
4. Loan principal and accrued interest is repayable upon the earlier to occur of sale, transfer, refinance, default on primary loan, foreclosure, or discontinuance of borrower occupancy as principal residence.

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[1] Income limits revised April 1, 2025

First Time Home Buyers
Settlement Expense Loan Program

PROGRAM GUIDELINES AND PROCEDURES

A. INTRODUCTION

The purpose of the Charles County First Time Home Buyers Settlement Expense Loan Program is to promote home ownership in existing residential communities in Charles County.

The Charles County Settlement Expense Loan Program (SELP) provides direct financial assistance up to $6,000 to qualified, low and moderate income first time home buyers in Charles County to help with settlement expenses associated with home purchase. The loan will be evidenced by a second mortgage, repayment of which is deferred until such time as the property is resold, transferred, refinanced, or the buyer discontinues occupancy of it as a principal residence.

The program is sponsored by the Charles County Commissioners and administered and managed by the Charles County Department of Community Services, Housing Authority, 8190 Port Tobacco Road, Port Tobacco, Maryland 20677, telephone number 301-934-9305.

B. ELIGIBILITY

1. Residency Requirement: the home buyer/ head of household must be a resident of Charles County for the last year as verified by Federal / Maryland Tax Returns or work in the County continuously for the last year with a minimum of 32 hours worked per week.

2. Income Limits - Eligibility is determined on the basis of anticipated annual household income on the day of closing, adjusted for household size. That income may not exceed 100% of the statistical area median income as published by the U. S. Department of Housing and Urban Development (HUD) adjusted for household income. Income limits are as follows:

Household Size	Income Limit[1]	Household Size	Income Limit
1	$114,800	5	$177,100
2	$131,200	6	$190,200
3	$147,600	7	$203,300
4	$163,900	8	$216,400

3. Income must be calculated by adding all income from household members 18 years of age or older. The income of *full-time* students is exempt with documentation of school enrollment. Childcare expenses provided by a bona fide childcare provider may be deducted from gross household income. The lender must submit two forms of income verification for each employed household member, including the three most recent pay stubs and an employment verification completed by the employer. **The household debt-to-income ratio cannot exceed 51 percent.**

4. The borrower must be a home buyer who meets the mortgage loan requirements of a participating lender. A participating lender is a bank or mortgage bank which has applied to the County to process SELP loans and has received such authorization. Participating Lenders have entered into an agreement to abide by the SELP Program Guidelines and Procedures.

5. The borrower's after purchase assets (excluding IRAs, 401k's and similar penalty for early withdrawal retirement accounts) may not exceed 15% of the annual household income as adjusted by allowable exemptions (i.e., documented childcare expenses and income of full-time students). Assets are determined in conformance with program guidelines (i.e., buildings, land, motor vehicles, boats, saving accounts, stocks, bonds, annuities, etc.).

6. The borrower may not have owned a home in the past 3 years (prior to closing date of loan). An exception will be made for persons who became divorced or widowed during the prior three years, and for owner-occupants of substandard housing.

7. The borrower may not own any other residential property.

8. Housing counseling from a HUD approved housing counselor before obtaining a mortgage loan is required. Documentation showing counseling has been completed must be provided and must be less than one year old. (See HUD approved list at www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm)

9. The borrower must not have defaulted and failed to repay a prior County SELP loan or any other funds due to the County.

10. The Housing Authority reserves the right to deny any application file for any reason.

C. PROPERTY CRITERIA

1. The property being purchased may be an existing single family detached or semi-detached dwelling; townhouse, or condominium apartment. New construction is excluded.

2. To avoid involuntary displacement of occupants, at the time of contract the property being purchased must be vacant, occupied by the seller, or occupied by the buyer in the transaction. The seller will be required to sign an Affidavit of Voluntary Sale at closing.

3. The purchase price of the home cannot exceed the appraised value.

4. Within 60 days of closing, the property must be occupied as the principal residence of the borrower.

D. LOAN TERMS

1. The first mortgage loan obtained by the purchaser must be a fixed rate loan; no ARMs are permitted.

2. The maximum direct SELP Loan is $6,000; the minimum is $1,000.

3. The minimum borrower cash contribution for down payment and closing costs is 5% of the annual household income (as adjusted), or an amount greater when required by the first mortgage lender. These must be documented borrowers' funds, not a gift or loan.

4. The SELP loan shall be recorded as a secured second mortgage on the property, when permitted by first mortgagee.

5. The home buyer may prepay the SELP loan in whole or part at any time, with no penalty.

6. The SELP loan will accrue interest of 5% in the first year, but no interest will accrue thereafter. Loan principal and accrued interest are repayable upon the earlier to occur of sale, transfer, refinance, default on the primary loan, or discontinuance of borrower occupancy.

E. ELIGIBLE SETTLEMENT EXPENSES

The following fees and expenses are eligible, in amounts acceptable to the Charles County Department of Community Services:

1. Fees or premiums for title examination and title insurance.
2. Reasonable fees for preparation of a deed, loan documents and settlement statement
3. Pre-paids of property taxes, hazard insurance, mortgage insurance, HOA or condominium fees and ground rent
4. Notary fees
5. Transfer and recordation taxes and fees
6. Loan discount points, and origination fees
7. Down payment, beyond the required minimum cash contribution specified.
8. Termite inspection fee
9. Location Survey
10. Property inspection
11. Appraisal fee and credit report
12. Homebuyer Counseling course

F. RESPONSIBILITIES OF THE PARTIES

The Department of Community Services, primary lender, Title Company, Realtors, and Charles County as the secondary lender, must coordinate the SELP loan process. It is necessary to set time frames which accommodate the program requirements and also meet the deadlines of the parties. Understanding the roles and responsibilities of each of the parties will facilitate that process.

CHARLES COUNTY DEPARTMENT OF COMMUNITY SERVICES (DCS) HOUSING AUTHORITY will:

1. Actively market and promote home ownership opportunities through SELP.

2. Refer prospective home buyers to the list of participating lenders.

3. Estimate the amount of SELP funds necessary, and reserve funds for closing for approved applicants.

4. Recommend SELP Loan approval by preparing the SELP loan file with documentation from the lender. The Department of Community Services, Housing Authority Chief, has the authority to *approve* the loan after review of all documentation and determination that all program requirements have been met.

5. Prepare the closing package for the Department of Community Services, Housing Authority Chief's review including a closing instructions letter along with the Second Mortgage, Promissory Note, Confirmation of Voluntary Sale letter and the SELP funds.

6. Confirm the borrower has moved into the property within 60 days after closing.

7. Provide standard documents to the participating lenders.

8. Review the documents, confirm borrower eligibility and compliance with program requirements, and approve SELP loan, within fifteen (15) business days of receipt of a complete SELP loan file from the participating lenders. Notify the lender of incomplete SELP loan file items.

LENDER will:

1. Accept the loan application on the FNMA 1003 form, and will obtain additional information outlined in the *SELP Mortgage Application Addendum* from the applicant.

2. Qualify first mortgage and pre-qualify the SELP loan simultaneously for applicants.

3. Not increase its application fee or charge a separate application fee for SELP borrowers. This is prohibited by the SELP program.

4. Submit a complete SELP loan file with a Lender's Transmittal to the Department of Community Services for SELP loan processing. The file will contain: original signed SELP Mortgage Application Addendum with copies of the first mortgage application, contract of sale, appraisal, lender's loan estimate/closing disclosure, employment and deposit verifications, last three (3) years of Federal and State Tax Returns, and the underwriter's worksheet. The lender must submit the **complete** SELP loan file to the Department of Community Services Housing Authority not less than fifteen (15) business days before closing.

5. Confirm the estimated amount of the SELP Loan with the Department of Community Services.

6. Advise the title company that Charles County must be named on the hazard insurance. The mortgagee clause shall read: County Commissioners of Charles County, Maryland c/o Department of Community Services, 8190 Port Tobacco Road, Port Tobacco, Maryland 20677.

7. Ensure that the County receives from the title company all SELP closing documents including the SELP

Second Mortgage as recorded in the Charles County Land Records, executed SELP Promissory Note, and hazard insurance certificate.

8. Complete a Lender's Participation Agreement with Charles County to abide by the Program Guidelines and Procedures.

THE TITLE COMPANY will:

1. Calculate the exact amount of the SELP Loan to fund the gap between the buyer's minimum contribution and the actual settlement expenses up to a maximum of $6,000.

2. Record the County's Second Mortgage in the Land Records of Charles County, Maryland.

3. Return within five (5) business days of closing, the following executed documents to Charles County Department of Community Services Housing Authority:

    a) Second Mortgage (certified copy)
    b) Promissory Note (original)
    c) Confirmation of Voluntary Sale Letter (original signed by Seller)
    d) Completed Letter of Closing Instructions, countersigned
    e) Closing Disclosure
    f) Copy of hazard insurance certificate with the County Commissioners of Charles County named as mortgagee and loss payee

4. Within five (5) business days of closing, refund any excess SELP Funds to the Department of Community Services Housing Authority along with a copy of the Closing Disclosure or other approved settlement sheet.

5. Within Thirty (30) business days of closing, submit to the Charles County Department of Community Services Housing Authority the SELP Second Mortgage as recorded in the Land Records of Charles County.

G. SELP LOAN FILE

1. The following documents must be submitted to the Department of Community Services Housing Authority by the lender no later than 15 business days before closing:

    a) First Mortgage Loan Application (completed FNMA 1003-typed and signed by borrower).

    b) SELP Mortgage Application Addendum with original signatures of the applicant. It is recommended that the borrower or loan officer complete the first page of the SELP Mortgage Application Addendum.

    c) Copy of Contract of Sale with all addenda.

    d) First two pages of the Uniform Residential Appraisal Report.

    e) Lender's Loan Estimate

f) Employment and deposit verifications

g) Underwriter's Worksheet

h) Last three (3) years of Federal and State Tax Returns

i) Copy of Maryland Driver’s License

j) HUD Approved Homebuyer Counseling Certificate

k) Picture of the property

H. UNDERWRITING GUIDELINES: Income Qualification, Household Composition or Loan Ratios

The purpose of these guidelines is to assist the Department of Community Services Housing Authority and lenders in understanding some of the issues that may arise in the determination of eligibility for a SELP loan borrower and the required documentation for the file. The intent is to clarify complex or unusual situations that arise, and to apply policies consistently.

1. Income Calculations

   a) The optimum method of "annualizing" current income is to multiply the gross salary by the number of pay periods (weekly salary x 52; bi-weekly salary x 26; or the semi-monthly salary x 24). Use this method when the borrower receives the same salary on each paycheck and there is no overtime.

   b) When the borrower receives an hourly wage, multiply the hourly wage by the number of hours normally worked per week, then by 52 weeks.

   c) When the borrower receives overtime, use the last three (3) months of overtime to calculate that income. If this does not accurately reflect the annual overtime figure, such as overtime which is earned only during a peak season, then annualize the overtime from the entire prior year, or base overtime on a statement from the employer.

      One technique of annualizing hourly and/or overtime compensation is to divide the "year to date" gross by the number of weeks or months which have transpired, and then to multiply by 52 weeks or 12 months. This works best near the middle or end of the calendar year.

   d) Analyze last year's income to determine the amount of income anticipated during the upcoming twelve months when income cannot be clearly anticipated, such as for a self-employed individual.

   e) Bonuses from employers count as household income. If the employee usually receives a bonus during a work year, then the bonus amount received in prior years should be used to calculate the anticipated bonus in the next year.

2. All household members over the age of 18 must have documentation of income or provide information regarding reasons for lack of income. Full time students should present evidence of full-time registration at college. Other plausible reasons as to why an adult member of the household has no income must be explained and documented.

3. Any changes or cross out on the SELP application regarding income calculations must be initialed by the person making those changes.

4. Households must be income eligible on the day of settlement. If income or household composition changes between the time of SELP application and closing (due to cost-of-living increase or raise or new job, or someone leaves the household thereby changing family size, or an applicant receives a large sum of cash assets, etc.) the borrower may become ineligible for the SELP loan. This may occur occasionally very close to settlement. It is the lender's responsibility to inform the borrower. It is recommended the borrower be advised in writing if there is any concern that income or family composition is in flux, and/or if family income is close to the allowed maximum.

5. If more than 90 days elapse between SELP application and closing, the borrower must provide two most recent pay stubs to verify income is still within the eligible range at closing.

6. If a child or children reside in a household and are not the children of one of the borrowers, for instance, grandchildren cared for by a grandparent, then documentation of legal custody must be provided in order to count those dependents as part of the household. A court order or verification from the Department of Social Services will be acceptable.

7. If there are dependents listed as household members on the loan application, but those same dependents are not listed on the latest federal income tax return, a reasonable explanation must be provided and noted in the file. This might occur, for instance, by agreement of divorced parties whereby parents share custody, and alternate claiming the child as a dependent. This type of agreement or arrangement must be documented.

8. In order for a borrower to qualify for a SELP loan, the borrower must qualify for a fixed rate loan from the primary mortgage lender without the benefit of a co-signer.

I. POST CLOSING

1. The loan is evidenced by a Second Mortgage, recorded in the land records of Charles County, and by a Promissory Note signed by the Borrowers.

2. The SELP loan accrues 5% interest in the first year only. Thereafter, no interest accrues on the loan.

3. The loan becomes fully repayable upon the occurrence of any of the following:

   [a] Discontinuance of occupancy of the property as the borrower's primary residence; or

   [b] Sale or transfer of the property; or

   [c] Refinance of the property; or

   [d] Additional encumbering (such as a third mortgage subordinate to the SELP Second Mortgage) without the consent of the County.

Revised: April 1, 2025