

MassWorks MortgageSM Program

Disclosure Statement

This Disclosure Statement describes the terms, conditions and restrictions that apply to potential Borrowers (“Borrower” or “Borrowers” herein) who wish to participate in MassWorks Mortgage Program (“the Program”).

Borrowers intending to purchase a Property under the Program are 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 the property that they intend to purchase with financing furnished through the Program (the “Property”) and in the event they decide to sell the Property. By signing this Disclosure Statement you are acknowledging that you have read and understand this Disclosure Statement.

For purposes of this Disclosure Statement, the term “Borrower” or “Borrowers” shall include Applicants and Co-Applicants for financing under the Program, as well as approved Applicants and Co-Applicants who have purchased a Property under the Program and have become borrowers under the Program. Borrowers shall be deemed to include employees of participating employers as well as spouses and co-borrowers of such employees who take title to the Property purchased under the Program or are otherwise liable for the loans obtained pursuant to the Program.

I. Program Overview

The Program is a public/private initiative designed to increase affordable housing opportunities for low and moderate-income first-time homebuyers and to assist Massachusetts employers in recruiting and retaining employees.

The Program has been developed by private lending institutions, the Commonwealth of Massachusetts, acting through its Department of Housing and Community Development (DHCD), and the Massachusetts Housing Partnership Fund Board (MHP).

The Program requires participating Massachusetts employers to offer assistance of a minimum amount of \$2,500.00 per eligible employee. The employer assistance will take the form of a “zero-interest” loan, and funds shall, depending upon eligibility, be used first as interest subsidy (explained below) and then as down payment assistance. That portion of the loan, if any, that is used as a down payment on the purchase of the Property may be forgiven at the rate of 20% per year provided that the Borrower-employee remains employed by the participating employer and otherwise complies with the Program. “MassWorks Funds” are a combination of employer funds and state matching funds.

The Program makes homeownership possible for qualifying and creditworthy households. Borrowers must make a down payment of at least 3% of the purchase price, 1.5% of which must be the Borrower’s own funds, and 1.5% of which may take the form of a gift, grant or loan, which may include the employer assistance.

The remaining 97% of the purchase price is broken down into two mortgage loans. The first loan is limited to 77% of the value of the Property thereby eliminating the need for private mortgage

insurance. The second loan amount is 20% of the purchase price or \$20,000, whichever is greater. Borrowers will receive either or both of (a) interest subsidy assistance which is applied monthly to partially reduce the interest payments the Borrower must make on the second loan for the first nine years and which does not have to be repaid until the Property is sold or otherwise transferred and/or (b) down payment assistance to reduce the amount of financing necessary to acquire the Property, which may be forgiven upon the fifth (5th) anniversary date of the loan provided certain requirements are satisfied.

II. Structure of Borrower's Monthly Payments

Borrowers 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 Borrower makes no principal payments on the second loan, but *is* responsible for paying the interest on the second loan at the stated interest rate. In addition, for the first nine years, income eligible Borrowers may qualify for interest subsidy to help meet the monthly second mortgage interest payments, as explained below.

Participating lenders who originate the first and second mortgages must qualify Borrowers under the SoftSecond Program Guidelines. (Please see the Program Guidelines.) In addition, the Program requires that Borrowers dedicate at least 28% of their gross income for housing (at least 25% for multi-family properties) before receiving interest subsidy.

The Borrower's payments and interest subsidy are calculated as follows: the lender determines the payments for principal and interest for the first mortgage, real estate taxes, fire and hazard insurance, and, if applicable, condominium fees. These amounts are subtracted from the Borrower's gross income dedicated for housing (explained in the paragraph above). In the case of a 2-family or 3-family Property, 75% of rental income will be counted toward the payment of housing expenses.

The balance of the Borrower's gross income dedicated for housing (including rental income, if applicable) is applied to the second mortgage interest payment. If there is a gap between the required second mortgage interest payment and the Borrower's contribution, an interest subsidy loan is provided. In some cases, a Borrower might not need any interest subsidy because his or her income will be high enough to cover the monthly costs of both the first and second mortgages on the desired Property.

The monthly interest subsidy payments (the "Subsidy Payments") 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 interest subsidy decreases, the Borrower's payments increase to cover the total payment due. Beginning in year 11, the Borrower is also obliged to make principal payments on the second loan.

III. Interest Subsidy and Down Payment Assistance Repayment

If a Borrower receives an interest subsidy loan, the interest subsidy must be repaid upon the earliest occurrence of thirty (30) years/ or when the Property is transferred, sold or conveyed for any reason, including as a result of death, foreclosure or deed in lieu of foreclosure.

If this occurs *within five (5) years of the date of purchase*, the full value of the subsidy payments used to reduce the second mortgage payments (the "Subsidy Payments") will become due and payable upon transfer. If such transfer occurs *after five (5) years from the date of purchase*, the lesser of the Subsidy Payments or 20% of the net appreciation realized from the sale of the Property becomes due and payable upon transfer. 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 initially paid by the Borrower 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 less than the Subsidy Payments, the Borrower may be required to provide a professional real estate appraisal, satisfactory to interest subsidy provider, at his or her own expense 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.

Additionally, if the Borrower receives down payment assistance from a participating employer and such employment is terminated, voluntarily or involuntarily, prior to the fifth anniversary date of the loan, the Borrower you will be liable to pay a portion of the down payment assistance upon the voluntary or involuntary sale or transfer of the Property including as a result of death, foreclosure or deed in lieu of foreclosure and immediately should the Borrower cease using the Property as his or her principal residence.

The foregoing provisions are set forth in greater detail in the MassWorks Mortgage Program Agreement. To the extent there is any conflict between the terms of this Disclosure Statement and the MassWorks Mortgage Program Agreement, the latter document shall control.

IV. Participation in the MassWorks Mortgage Program

Participation in the Program is limited to income-eligible first-time homebuyers who (a) are employees of participating employers and have met the employer's program eligibility guidelines as determined by the employer and have provided positive authorization of such to the participating lender and (b) meet the Program Guidelines as determined by a participating lender. For purposes of the Program, a first-time homebuyer is someone who has not owned a home in the past three years (some exceptions apply).

Applicants for the Program may not have total household assets, at the time of application, in excess \$75,000, which shall include funds used down payment and reserves. Assets include savings and checking accounts, gifted money and/or 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), and interests in real property and/or income, rents or proceeds of real property, whether the land is owned or bequeathed. The asset test will exclude MassWorks Funds.

If, based on your credit history, income, and savings, you choose to participate in the Program, the participating lender will contact MHP and request a reservation of subsidy reservation. There is a \$25.00 non-refundable reservation fee that you must pay to MHP before a subsidy reservation will be issued. If MHP determines that you qualify and there are funds available, MHP will provide the participating lender with a subsidy reservation.

V. The Subsidy Reservation

The subsidy reservation is not a commitment on the first and second loans. Once a Borrower has received the subsidy reservation, the Borrower has up to sixty (60) days to locate a Property and complete a mortgage application for first and second mortgage loans with a participating lender. If the lender deems the Borrower eligible to participate in MassWorks Mortgage Program, the lender has thirty (30) days to issue a commitment letter. 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. MHP may grant extensions based on available funds.

VI. Additional Program Requirements and Restrictions

A Borrower must qualify for a Property he or she can afford as determined by a participating lender in accordance with Program Guidelines. The purchase price of any Property will have to be supported by a current appraisal performed at the Borrower's expense by a certified real estate appraiser selected by the lender.

The Program requires that Borrowers obtain a first and second loan through a participating lender and agree to execute all loan documents required by the lender, such as a first and second mortgage, at the time of closing, as well as a MassWorks Note, MassWorks Program Agreement and MassWorks Mortgage evidencing and reflecting interest subsidy and/or down payment assistance provided and the terms of repayment.

All of these documents will set out in detail the terms and conditions of the Borrower's loans and the payment and other obligations undertaken in connection with such loans.

Borrower's obligation to the lender is for the full amount of the first note and the second note, even if the Borrower receives an interest subsidy and/or down payment assistance. If interest subsidy is provided, the subsidy provider pays a portion of the monthly interest payment due on the second note to the lender, provided that the Borrower makes timely monthly payment to the lender of the balance of the payment due, and is not otherwise in default of the first or second mortgage.

It is a general requirement the Property purchased under the Program be used as the Borrower's principal residence. It is also a requirement of the Program that the Borrower complete approved pre- and post purchase homebuyer education courses. The pre-purchase education course must be completed before closing on the Property; the post-purchase education course must be completed within one-year of closing on the Property.

If a Borrower has difficulty paying any of the mortgage loans on the Property in the future, the Program may be able to offer counseling services to assist with such financial difficulties. It is a requirement of the Program that Borrower authorize the lender to notify a qualified local counseling agency in the event that loan payments become more than 30 days delinquent so that the counseling agency may offer assistance. Borrowers are encouraged to use the services offered but are under no obligation to do so.

VII. Refinancing

If a Borrower wishes to refinance the first and/or second mortgage loans or take out an equity loan or line of credit, the Borrower will generally be required to repay the amount of interest subsidy paid on the second note, if any, through the date of refinancing. Subordination of the MassWorks Mortgage and deferment of repayment of amounts due under the MassWorks Note may also be requested and shall be granted or denied in the sole discretion of the subsidy provider. If you request refinancing and/or an equity loan or equity line of credit, the subsidy provider 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 interest subsidy if applicable (and possibly all or a portion of down payment assistance, if any) upon certain conditions, and in any event, upon the earliest of the sale or transfer of my Property, when I cease to occupy the Property as my principal residence or on the 30th anniversary date of the loan.

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 total household income, size, 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 and/or down payment assistance. 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 MassWorks Note and MassWorks Mortgage 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 reservation and paying the \$25.00 reservation fee.

Witness

Applicant/Employee

Date

Witness

Co-Applicant

Date

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