



# Shared Appreciation DPA Program

## Wholesale Channel

### SmartBuy Shared Appreciation DPA Matrix

Effective with locks as of 9/3/2024 unless otherwise noted (changes in bold font)

	FHA	RD
General Description	<ul style="list-style-type: none"> <li>✓ 2% or 3.5% Down Payment Assistance (DPA) program requiring the delivery of the underlying first lien (FHA, USDA) with the subordinated second lien</li> <li>✓ Available in specific markets with no 1<sup>st</sup> time homebuyer restrictions</li> <li>✓ DPA source of funds from non-profit meets agency requirements</li> <li>✓ Shared Appreciation at the end of year five or Maturity Event</li> <li>✓ <b>7% Fixed Interestrate</b></li> </ul>	
<u>Shared Appreciation Second Lien:</u> Term and Structure	<ul style="list-style-type: none"> <li>• The second lien* is not forgivable</li> <li>• <b>When sold, refinanced, or loan is paid in full, REDCO receives 40% of the appreciated value</b></li> <li>• <b>Not Assumable</b></li> <li>• <b>No Minimum Representative Credit Score required</b></li> </ul> <p>Requires distinct loan number on 2<sup>nd</sup> lien separate from the 1<sup>st</sup> lien. No additional liens allowed.</p> <p><b>30-year amortization with 10-year balloon (see <a href="#">details</a> section on last page)</b></p>	<ul style="list-style-type: none"> <li>• The second lien* is not forgivable</li> <li>• <b>When sold, refinanced, or loan is paid in full, REDCO receives 30% of the appreciated value</b></li> <li>• <b>Not Assumable</b></li> <li>• <b>No Minimum Representative Credit Score Required</b></li> </ul> <p>Requires distinct loan number on 2<sup>nd</sup> lien separate from the 1<sup>st</sup> lien. No additional liens allowed.</p> <p><b>30-year amortization with 10-year balloon (see <a href="#">details</a> section on last page)</b></p>
DPA Amount / Use of Funds	<ul style="list-style-type: none"> <li>• <u>Up to 3.5%</u> of home purchase price or appraised value, whichever is less</li> <li>• Not covered by appreciation amount.</li> </ul>	<ul style="list-style-type: none"> <li>• <u>Up to 2%</u> of home purchase price or appraised value, whichever is less</li> <li>• Not covered by appreciation amount</li> </ul>
<b>REFER TO FHA &amp; USDA GUIDELINES TO DETERMINE FIRST LIEN ELIGIBILITY SUBJECT TO BELOW OVERLAYS</b>		
<u>First Lien:</u> Loan Products / Transaction Type / Occupancy	<ul style="list-style-type: none"> <li>• <b>Fixed Rate</b></li> <li>• Purchase transactions only</li> <li>• Owner-occupied only; property must remain primary residence throughout the term of the second lien</li> </ul>	<ul style="list-style-type: none"> <li>• Fixed Rate</li> <li>• Purchase transactions only</li> <li>• Owner-occupied only; property must remain primary residence throughout the term of the second lien</li> </ul>
Borrower Eligibility	<ul style="list-style-type: none"> <li>• Based on FHA and USDA program guidelines</li> <li>• No previous foreclosures or bankruptcies</li> <li>• Not required to be first-time homebuyers</li> <li>• No income restrictions beyond USDA guidelines</li> </ul>	
Property Locations - Pilot Program	Available in most states/area except in the following: New York, Coastal Barrier Reef, Flood Zones, and Oceanfront Properties	
Credit Score	<b>No minimum representative credit score</b>	
<u>"Blended Score"</u> Qualifying Flexibility (NEW FEATURE)	<ul style="list-style-type: none"> <li>• Minimum <u>"Blended Score"</u> of 670</li> <li>• Allows qualification by averaging representative credit score of occupying borrowers</li> <li>• Primary wage earner must have &gt;= 60% of household income (including non-qualifying) AND have the higher credit score</li> <li>• No minimum credit score for lower wage earner</li> <li>• Must maintain AUS approval</li> <li>• Blended Score for qualification purposes only; Pricing remains based on borrower's individual representative credit score</li> </ul>	



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Underwriting	<ul style="list-style-type: none"> <li>Approval by an Automated Underwriting System (DU, LPA, GUS)</li> <li>No manual underwriting except for manually downgraded.</li> </ul>	
Debt-to-Income (DTI)	<ul style="list-style-type: none"> <li>Maximum DTI of 50% with AUS approval on ARMs</li> <li>Fixed Rate DTI follows agency</li> </ul>	
Loan-to-Value	<ul style="list-style-type: none"> <li>Based on FHA and USDA program guidelines</li> </ul>	
Property Types / Units	<ul style="list-style-type: none"> <li>Single-family detached/attached and PUDs</li> <li>No Condos, Manufactured Homes or unique property types</li> <li>1 units only</li> </ul>	
High Balance	<ul style="list-style-type: none"> <li>High Balance allowed subject to price variance.</li> </ul>	
Escrow Holdbacks	<p>Escrow holdbacks allowed subject to the following: 125% of estimated repair cost</p> <ul style="list-style-type: none"> <li>Weather related items with aggregate cost not to exceed 125% of the estimated repair cost</li> <li>Postponed items do not affect occupancy</li> <li>Must be completed and inspected within 180 days of the Note date</li> <li>Mortgagee to establish escrow account and final completion</li> </ul>	
Eligible Lenders / Channels	<ul style="list-style-type: none"> <li>Must be approved by Click n' Close, Inc's (CNC) Correspondent Division as delegated lender (also available in CNC's Wholesale Divisions)</li> </ul>	
Allowable Lender Fees and Credits	<p>Fees charged to the Borrower must comply with all applicable federal, state and local laws and disclosure requirements. Principal reductions are limited to \$500 with the exception of HUD-184 at \$1,000. Only exception is for required cures.</p>	
Non-Profit Administrative Fee	<p>\$500 administrative fee netted at funding of second lien purchase</p>	
MERS / MIN	<p>MERS registration and a unique MIN number are required on both the 1st lien and 2nd lien DPA</p> <p>Within 5 days of the servicing transfer, Investor and Servicer should be updated as follows:</p> <p>1<sup>st</sup> lien MERS ORG ID (<u>INVESTOR &amp; SERVICER</u>) – 1001320 (Click n' Close, Inc.)</p> <p>2<sup>nd</sup> lien DPA MERS ORG ID:</p> <ul style="list-style-type: none"> <li><u>INVESTOR</u> – 1016709 (Rosebud Economic Development Corporation)</li> <li><u>SERVICER</u> – 1001320 (Click n' Close, Inc.)</li> </ul>	



# **Shared Appreciation DPA Program**

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### **Details of the Shared Appreciation DPA Program**

Click n' Close intends to transfer the SmartBuy note to Rosebud Economic Development Corporation ("REDCO"). The borrower will share a portion of any appreciation\* in the market value of the home with REDCO. The appreciation sharing is tiered based on when the borrower sells, refinances, or pays off the First Lien.

If sold, refinanced, or paid off:

REDCO or other Note Holder will receive:

During years 1 through 3 of the term of the Note.....

100% of the Appreciation

During years 4 or 5 of the term of the Note.....

60% of the Appreciation

On or after the due date of the 60th payment under the Note...

40% of the Appreciation for FHA loans; or 30% of the Appreciation for USDA loans

Some examples are:

Say your borrower sells the home after 5 years for \$200,000 and the initial purchase price paid for the home was \$170,000. The amount of appreciation is \$30,000, which must be shared with REDCO.

Say your borrower refinances, after 5 years, the SmartBuy Loan on the home purchased for an initial purchase price of \$210,000. The Loan servicer will order an AVM. Suppose the AVM values the home at \$230,000. The amount of appreciation is \$20,000, which must be shared with REDCO.

**The loan will be amortized over 30 years with a balloon payment due in 10 years. Unless the borrower sells, refinances or pays off before the 60<sup>th</sup> payment, a valuation would be completed at the 60<sup>th</sup> payment. The shared appreciation amount will be added to the second lien amortized over the remaining 25 years of the amortization. The note (original note amount plus added appreciation amount) is still due at the 10 year balloon date. The borrower will receive an updated payment disclosure along with the valuation. If the property's value decreases or remains the same, the loan amount will remain as it stands. No further valuations will be completed.**

**\*Appreciation is the difference between Borrower's initial purchase price for the Property and the current market value of the Property.**