



UNDERWRITING MEMORANDUM 05-13

To: All South Carolina Agents
From: South Carolina State Office
Date: May 3, 2005
Re: Down Payment Assistance Programs

The use of down payment assistance programs has become a growing trend in residential transactions. The programs have gone from not for profit organizations helping low income first time home buyers to for-profit operations providing down payment funds on high-end housing to buyers earning six figure incomes. For this reason we must exercise caution to provide that the lender is aware of the nature of the transaction. To accomplish this, the following procedure is now required for all transactions in which a down payment assistance program is involved.

1. The HUD-1 must accurately disclose the portion and the source of the buyer's down payment derived from the assistance program.
2. The lender's closing instructions must acknowledge the use of the down payment assistance program.
3. If the loan is for \$200,000 or more and the down payment assistance is 5% or more of the sales price, the attached disclosure must be signed by all parties with the lender being represented by the loan underwriter or a vice president or higher.

This procedure is effective immediately.

DOWN PAYMENT ASSISTANCE DISCLOSURE

Date:

File Number:

Closing Attorney:

Underwriter: Chicago Title Insurance Company

Seller:

Purchaser/Borrower:

Lender:

Property:

Closing Attorney and Underwriter have been advised that the purchase of the Property is being made pursuant to: (i) a purchase money lien mortgage by the Lender, and (ii) "down payment" assistance through a down payment assistance program administered by _____.

Notwithstanding the lender's closing instructions to the contrary, Lender hereby agrees to fund the loan with knowledge that some or all of the required down payment is being provided to the Purchaser by the down payment assistance program. It is additionally agreed and understood that in the event this transaction is being funded by an FHA or VA loan, Escrow Agent and Underwriter do not represent or guarantee that the down payment assistance program complies with the requirements of the Department of Housing and Urban Development or the Veterans Administration or the Veterans Administration.

LENDER:

SELLER:

PURCHASER:
