

**ANSWERS TO COMMON QUESTIONS ABOUT
THE DELAWARE HOMEOWNER'S EMERGENCY MORTGAGE ASSISTANCE
LOAN PROGRAM ADMINISTERED BY THE
DELAWARE STATE HOUSING AUTHORITY**

WHAT IS THE DELAWARE HOMEOWNER'S EMERGENCY MORTGAGE ASSISTANCE PROGRAM?

The Delaware Homeowner's Emergency Mortgage Assistance Loan Program (DEMAP) is administered by the Delaware State Housing Authority (DSHA) and is funded by appropriations in the state budget. The purpose of the program is to prevent widespread mortgage foreclosures and distress sales of homes which result from default caused by circumstances beyond a homeowner's control.

WHAT IS THE ROLE OF THE COUNSELING AGENCY?

The Counseling Agency is under contract with DSHA to help prepare an applicant for the DEMAP loan. The Counseling Agency does not make the decision to approve or deny DEMAP loan applications. They do not make any recommendations to DSHA as to whether or not a homeowner should be granted a loan. Their job is to help homeowners present the most complete and accurate application possible. Homeowners must provide all necessary information with their loan application. The circumstances that caused their financial hardship and the factors affecting their reasonable prospect of resuming mortgage payments should be explained in detail. Certain income and expense information must be documented. The Counseling Agency should offer suggestions which will help homeowners obtain the necessary information.

The Counseling Agency is prepared to counsel homeowners with their financial matters and spending habits. If appropriate, the Counseling Agency will attempt to work out a forbearance agreement with the lender. The Counseling Agency should also provide information about other financial assistance or employment training opportunities in their communities.

WHAT KIND OF MORTGAGE ASSISTANCE LOANS ARE AVAILABLE?

DEMAP provides the following two types of loans: 1) **Continuing loan** – the Agency brings the homeowners mortgage current and provides continuing assistance with monthly mortgage payments. Total assistance cannot exceed 12 monthly payments. Homeowners approved for a continuing loan will be required to make a monthly contribution toward their mortgage payment based on their income and housing expenses, with the minimum payment being \$40.00 per month depending on their income. 2) **Non-continuing loan** – the Agency simply brings the homeowner's mortgage current. Homeowner's are responsible for their own mortgage payments after the closing and repayment of the DEMAP loan beginning the first full month after disbursement.

IS THE DMAP LOAN A LIEN AGAINST THE HOME?

DMAP's loan is recorded as a mortgage lien against the homeowner's property.

WHEN DOES REPAYMENT BEGIN AND ON WHAT TERMS?

Repayment of DEMAP loans will begin in the first full month following loan disbursement. Loan repayment is based on 40% of the homeowner's net effective income minus total housing expense. Total housing expense includes mortgage payments, escrows for taxes, and insurance and home utility expenses. DEMAP loan recipients are charged interest at a simple annual rate of 3%.

$$\text{Monthly payment} = 40\% \text{ Net Income} - \text{Total Housing Expenses}$$

WHO QUALIFIES FOR A DEMAP LOAN?

- ❖ Homeowner must be at least 90 days delinquent in their mortgage.
- ❖ The home must be located in Delaware and be owner-occupied.
- ❖ The property must be a one or two family residence. A home used primarily for business purposes is not eligible.
- ❖ Mortgage loans obtained primarily for business purposes are not eligible.
- ❖ The homeowner must have had a favorable mortgage credit history prior to the delinquency during the previous 5 years. If the mortgage is less than 5 years old, the applicant's complete 5-year credit history will also be reviewed.
- ❖ The homeowner must be suffering financial hardship due to circumstances beyond their control.
- ❖ The homeowner must have a reasonable prospect of resuming full mortgage payments within 12 months* and paying the mortgage in full by maturity.
- ❖ DEMAP loan cannot exceed \$15,000 nor exceed 12 months* of assistance.
- ❖ DSHA/DEMAP must have at least a 3rd lien position.

WHAT ARE CIRCUMSTANCES BEYOND YOUR CONTROL?

To be eligible for a DEMAP loan, a homeowner must be suffering financial hardship due to circumstances beyond their control. Loss of employment due to layoff, strike, plant closing, serious medical problems, or divorce or separation are typically circumstances beyond one's control. On the other hand, quitting a job, committing a crime and being jailed, or money mismanagement are all examples of circumstances within one's control.

HOW DO YOU DEMONSTRATE A REASONABLE PROSPECT OF RESUMING FULL MORTGAGE PAYMENTS?

Some circumstances which cause financial hardship are by nature temporary and predictable. A job layoff or temporary unemployment due to a curable medical condition are examples of circumstances which will clearly come and go, and the homeowner will be re-employed and be able to resume making their mortgage payments. The loss of a job usually created a longer term problem; however, the homeowner's job skills, training, job history, efforts at retraining, etc. are all relevant factors which the Agency will consider in determining whether there is a reasonable prospect of the homeowner being able to resume full mortgage payments within 12 months*. If a person demonstrates a good employment history, a good credit history while employed, employable skills, and an active search for employment, they will probably meet the reasonable prospect issue.

On the other hand, a person who has mortgaged their home to the limit, whose spouse dies without life insurance, who has no employable skills, and has no plans of entering into an employment training program probably has little prospect of resuming their mortgage payments within 12* months and would not be found eligible.

It is extremely important for the homeowner to do a complete self evaluation of their job history, job skills, and potential for securing future employment in order to present an accurate picture of whether or not there is a reasonable prospect of being able to resume mortgage payments in the future.

HOW LONG DOES THE PROCESS TAKE?

A homeowner should arrange to have a face-to-face meeting with a DEMAP-approved housing counselor when he or she becomes 90 days or more delinquent in making his or her mortgage payments. The Counseling Agency must forward the application to DSHA within 30 days of the face-to-face meeting date. DSHA has 15 days from application receipt to make a decision. If the application is approved, it takes approximately 60 days for the loan to close. Within 15 days after the closing, the Agency will disburse checks to bring the mortgage(s) and taxes current.

HOW CAN MORE INFORMATION BE OBTAINED ABOUT DEMAP?

DSHA staff can be reached by telephone or by mail as set forth below:

General Information - (302) 577-5001

Toll Free - (888) 363-8808

Fax - (302) 577-5021

PAYMENTS

DSHA/DMAP
18 The Green
Dover, DE 19901

CORRESPONDENCE

DSHA/DEMAP
Housing Finance
820 N. French St./10th Fl.
Wilmington, DE 19801

*12 months repayment period begins from the time of initial delinquency.