

TERMS AND CONDITIONS
MONTANA VETERANS' HOME LOAN MORTGAGE PROGRAM
Authorized by 90-6-6 M.C.A.
Updated May 23, 2023

Purpose of Program:

The objective of the Montana Veterans' Home Loan Mortgage Program (the Program) is to provide first mortgage funds to Montana residents serving or who have served in the military through the federal armed services and the Montana National Guard. The mortgage interest rate is 1% lower than market and assists eligible veterans purchase their first home.

Funds for the Program are provided from the principal of the Montana Coal Tax Trust Fund. The Montana Board of Housing (Montana Housing) will administer the Program with the Montana Board of Investments (BOI) purchasing the mortgages. The Program is a revolving fund; additional loans will be made as principal is available once the initial funding has been used. The Program is available to qualifying veterans on a first-come, first-serve basis.

Lender Eligibility:

Eligible participating lenders are current Participants, as defined in the Montana Housing Mortgage Purchase and Servicing Guide, who have received a Notice of Acceptance from Montana Housing for the current program year *and* have an Approved Lender Residential Service Agreement and EFT Agreement with BOI. Training is available on request.

Borrower Requirements:

1. Borrower must be an eligible veteran under program guidelines. To be eligible, the veteran must be in active service or have been discharged from military service under honorable conditions. "Under honorable conditions" means a discharge or separation from military duty characterized by the armed forces as under honorable conditions, the term includes honorable discharge and general discharge. The term does not include a dishonorable discharge, or another administrative discharge characterized by military regulation as other than honorable. Military Service means membership in the Montana National Guard, membership in the Federal Reserve forces of the armed forces of the United States pursuant to Title 10 of the U.S. Code, or Service on federal active duty pursuant to Title 10 of the U.S. Code. An un-remarried spouse of an eligible veteran killed in the line of duty is also eligible. Proof of veteran eligibility consists of copies of current orders, DD214 or other official documentation that states the Character of Discharge, or military "died in line of duty" death certificate.
2. No income or asset limits for borrowers.
3. Homebuyer must be a true first-time homebuyer, never owned their primary residence. There are no exceptions to this requirement for targeted areas and 3 year rule does not apply. Prior ownership of factory- made housing, including a manufactured home on a chassis that is not permanently affixed to land owned by the homebuyer will not disqualify a borrower.
4. Borrower must be a resident of Montana as evidenced by copy of previous year's signed filed Montana tax return or a legible copy of a valid Montana Driver's License.
5. Borrower must have a minimum of \$2,500 of their own funds invested in the transaction. The minimum contribution may be used toward paying for down payment or closing costs.
6. Sweat equity is not counted towards any portion of the \$2,500 investment.
7. Grant or gift funds for down payment and/or closing cost assistance are allowed; however, no portion of grant/gift funds can count towards the borrower's \$2,500 required investment.
8. Borrower must complete a first-time homebuyer class approved by Montana Housing.

Property Requirements:

1. Single-family home.
2. No purchase price limit, loan limit as stated below.
3. Property must be fee-simple residential property in Montana secured by a first priority trust indenture under the Montana Small Tract Financing Act.
4. Condominiums are not eligible under this program.
5. Manufactured homes may be eligible providing they meet all following requirements:
 - a. Must be de-titled (i.e., no longer registered as personal property in conformance with Montana State statutes as indicated by an endorsement on the title including MV 72 Statement)
 - b. On a permanent foundation certified as meeting FHA requirements
 - c. Double-wide or larger
 - d. Newer than 1976
6. Property must be in full repair prior to purchase of the mortgage loan by BOI.
7. In cases of new construction, property and improvements must be fully completed prior to closing; and value of land cannot exceed 35% of the mortgage loan, as evidenced by appraisal.
8. The hazard insurance policy must protect against loss or damage from fire, lightning and other hazards covered by the standard extended coverage endorsement. The coverage should be the type that provides for claims to be settled on a replacement cost basis only. Montana Board of Investments will not accept hazard insurance policies that limit or exclude from coverage any perils that are normally included under an extended coverage endorsement. Montana Board of Investments also will not accept hazard insurance policies that exclude or limit coverage on specific components of the Residence such as limiting coverage to actual cash value on a roof due to its age. Montana Board of Investments requires coverage equal to the lesser of: (i) 100 percent of the insurable value of the improvements as established by the property insurer or (ii) The unpaid principal balance of the mortgage loan, as long as the insurance coverage equals the industry standard minimum amount (80% of the insurable value of the improvements) required to compensate for damage or loss on a replacement cost basis. If it does not, then coverage that provides at least the minimum required amount must be obtained. Loans on condominium units must meet criteria in Montana Housing Hazard Insurance Coverage Policy as detailed in the Purchase and Servicing Guide.

The maximum deductible amount is the greater of \$1,500 or 1% of the dwelling coverage for all perils except wind and hail, which can be the greater of \$2,500 or 1% of the dwelling coverage. For flood insurance, the required deductible for a flood insurance policy for a first mortgage is the maximum specified by the National Flood Insurance Program (NFIP) for the area in which the property is located.

Primary Residence Requirements:

1. Property must be the borrower's primary residence and borrower take occupancy within 60 days of loan closing. Home must be maintained as the borrower's principal residence while any portion of the mortgage loan remains outstanding.
2. Montana Housing will monitor residency status of borrowers. Failure to respond with documentation of residency in a timely way may cause the loan to be declared immediately due. Borrowers unable to demonstrate the property is their primary residence will have 12 months to refinance or sell the property. The 12-month period may be extended at the sole discretion of BOI.

Mortgage Loan Terms:

1. Each Mortgage loan shall be fully insured or guaranteed by FHA, VA or HUD184.
2. The maximum loan amount the borrowers can finance will be the purchase price plus the FHA upfront premium or the VA guarantee fee, or the Section 184 upfront premium to the extent permitted by such insurer or guarantor up to 95% of the Montana Housing statewide purchase price limit under Regular Bond Program. As of May 23, 2023, **the limit is \$457,117**. On a case-by-case basis, the Predominant Value (determined by appraisal) will be an additional consideration in establishing the maximum loan amount.
3. All loans must receive “approve/eligible” or other similar high response from automated underwriting. BOI will not accept loans underwritten manually or containing underwriting exceptions.
4. The fixed rate of interest on the Mortgage Loans shall be 1% lower than the Montana Housing regular bond program rate or the Fannie Mae 60-day lock rate, whichever is lower, as posted on the Montana Housing website and updated every two weeks.
5. The term of the Mortgage Loans shall be 30 years and such Mortgage Loans shall provide for complete amortization by maturity with equal monthly payments of principal and interest. Each mortgage loan shall provide for monthly escrow payments in an amount sufficient to enable the servicer to pay when due, all real property taxes and assessments, hazard and casualty insurance premiums and mortgage insurance premiums.
6. Title Insurance policy must have extended coverage and be written on the current long form approved by the American Land Title Association. The policy must include endorsements 9.3-06 or 22.1-06, 8.1-06 and, if manufactured housing, 7-06 or 7.1-06 with MV 72 Statement included, issued by a title insurer acceptable to Montana Housing, and naming **Montana Board of Investments** as named insured.
7. Funds are available on a loan-by-loan, first-come, first-served basis. Mortgage Lenders reserve funds for eligible loans electronically using the Lender On-Line portal. Upon receipt and approval of the reservation, Montana Housing may reserve funds for 60 days to acquire Mortgage Loans on existing houses and 180 days to acquire Mortgage Loans for new construction. Such periods may be extended for a fee of one-fourth of one percent (0.25%) of the loan amount for each 30-day extension. Extension fees shall only be paid by the Mortgage Lender. Reservations are not final until each has been reviewed and committed by staff as indicated in Lender On-Line. If the reservation is cancelled, a one-half percent (.5%) cancellation fee may be charged to the Lender.
8. Lender due diligence is required. At or before requesting reservation of funds on behalf of a borrower, lenders must explain loan criteria and requirements, including obtaining borrower’s signature on the owner-occupancy disclosure form.
9. If a Mortgagor cancels a commitment or reservation for a Mortgage Loan under a program or interest rate offered by Montana Housing to swap for a loan under a newer program or a lower interest rate, said Mortgagor will cease to be eligible to participate in Montana Housing administered loan programs.
10. There shall be no cash back allowed at closing.
11. **BOI IS NOT A MEMBER OF MERS, Trust Indentures must be ASSIGNED to Montana Board of Investments.**
12. All first mortgage loan Notes and Trust Indentures must be on either Fannie Mae or FreddieMac accepted loan documents.
13. Loans are purchased by BOI with Montana Housing acting as Program administrator. Mortgage loans shall be tendered for sale by BOI to Montana Housing within 30 days following the execution of the note by the mortgagor. The purchase file will be delivered via Edocs and must contain the documents in the order listed on the VHLP Submission Voucher form found on Lender On-line.

The note must be endorsed to **Montana Board of Investments** without recourse.

Required original documents such as the Note, Trust Indenture and Assignment must be sent to the following address:

Montana Housing
PO Box 200528
301 South Park, Suite 240
Helena, MT 59620-0528

Any exceptions must be cleared and the loan must be approved for purchase within 45 days after closing. If the Mortgage Lender fails to deliver such loans with all exceptions cleared within 45 days after closing, the purchase price will be reduced by one-half of one percent (0.50%) of the loan amount for each 30 days the loan is not delivered. Montana Housing may return the purchase package to the originating lender under the following circumstances:

- a. if initial package is missing any of the following; the recorded deed of trust, the original signed note, and the original recorded or Clerk and Recorder's certified copy of the executed Assignment of Trust Indenture to Montana Board of Investments;
 - b. if lender fails to send in all of the missing documents at one time, i.e., Montana Housing won't accept the package if lender sends in missing documents piecemeal;
 - c. if missing documents for purchase package are delayed by more than 45 days
14. BOI purchases loans at 100% and does not provide lender compensation. Lenders may charge up to 2% origination fees, however charges to the borrower must not exceed what is allowed by the insurer/guarantor.
15. Loans will be serviced by the Montana Board of Housing.
16. Procedures for selling servicing to Montana Housing are as follows:
- a. Montana Housing will pay 75 basis points of the principal balance purchased for the servicing rights. Service-release premiums will be remitted to the originator on the day of purchase.
 - b. The servicing transfer shall be effective as of the first payment date, there will be no interim servicing allowed. The borrower will send their first payment and all subsequent payments to Montana Housing.
 - c. Montana Housing does use a tax service. Therefore, a **tax service fee** in the amount of **\$73.00** should be collected at closing and this fee as well as the initial escrow funds will be net funded at the time of purchase
 - d. Hazard Insurance Policy must list **Montana Board of Investments** as mortgagee.
 - e. The Notice of Transfer of Servicing, First Payment Letter and Hazard Insurance Policy need to show the *servicer* as:

Montana Board of Housing
c/o Loan Servicing
PO Box 200550
Helena, MT 59620
 - f. Only one purchase/servicing file will be delivered to Montana Housing.
 - g. For mortgage loans serviced by Montana Housing, the principal balance that will be purchase is the note amount, less any principal reductions listed on the final closing disclosure. The accrued interest from the first interest payment date, up to but not including the date of purchase, is calculated on the principal purchased using a 360-day year and actual days in the month and is included in the funding amount. A service fee calculation is also included in the purchase price computation as a deduction and based upon the factor corresponding to the accrued interest purchased.

17. Assumption of the loan may be allowed as long as the assumptor qualifies under the same terms as the original home buyers and meets requirements of the mortgage insurance/ guarantee provider. All assumptions must be approved by BOI using a Montana Housing-provided assumption package.
18. Montana Housing requires timely delivery of final documents. Lenders may be charged \$50 per document per month, to be subtracted from the proceeds of new loan purchases, for final documents not delivered within the 90-day timeframe required in the Guide.

Other Provisions:

Except as outlined above, all terms, conditions, definitions and program criteria applicable to the Regular Bond Program, set out in the [Mortgage Purchase and Servicing Agreement](#) and the [Terms and Conditions of the Homeownership Program](#) will apply to loans originated under the Montana Veteran's Home Loan Mortgage Program.