

**Montana Board of Housing (MBOH)
80% Combined Program
FAQ**



What is the 80% Combined Program?

A - The program was developed to provide eligible home buyers an alternative to the current high cost of an FHA loan. This is a unique program that combines a mortgage from the Montana Board of Housing (MBOH) for 80% of the purchase price of a home, and an amortizing down payment assistance loan from NeighborWorks Montana (NWMT) for the other 20%. Originating lenders can keep or sell the first mortgage according to their individual business models. MBOH serves as one option for those lenders wishing to sell the first-position loan into the secondary market. This funding model allows MBOH the ability to provide an uninsured conventional loan in limited circumstances.

Why can't all MBOH-approved lenders participate in this program?

A - NWMT developed this program in partnership with lenders that provide capital for the down payment assistance element of the program. Lenders that are approved by both NWMT and MBOH have the option to deliver the first-position loan to MBOH or their other secondary markets, or keep the loan in-house. Lenders who are only approved by NWMT either keep the first-position loan or sell it to their other secondary markets.

There are several differences between MBOH and NWMT criteria for this program. Which will apply?

A - Whenever multiple programs are used, the most restrictive criteria will apply. MBOH and NWMT do share common missions; however, funding sources and other program elements can create conflicting criteria such as different income limits. Lenders are encouraged to communicate with both MBOH and NWMT to overcome challenges.

What are the interest rates?

A - The interest rate on the first mortgage is set by MBOH and posted to the MBOH website on a bi-weekly basis (subject to change at MBOH discretion). The interest rate on the amortizing NWMT second mortgage will be 2% higher than the first mortgage loan.

How much cash will buyers need?

A - The program guidelines require borrowers to contribute 1% of the purchase price or a minimum of \$1,000. More than minimum may be required to comply with the 105% CLTV maximum. Loan officers will provide details as each transaction is evaluated.

Can the 1% (or \$1,000) be gift funds?

A - No. The buyer's contribution needs to come from their own resources.

What underwriting criteria will apply?

A - Originating lenders underwrite the first mortgage according to Fannie Mae Standard 97% Program with a Community Seconds® through DU. The principal and interest payments of both loans must be included in the ratios. MBOH will NOT accept loans that have "Refer with Caution" findings. The second mortgage will be fully underwritten by NWMT, using credit overlays described in their Terms & Conditions, which includes ratios of 29/41 and minimum credit score of 640.

What appraisal standards will be required?

A - All properties must meet all FHA appraisal standards. Lenders must submit a comprehensive interior/exterior appraisal prior to approval. Any repair requirements must be addressed as part of the transaction.

Are condominiums eligible?

A - Condominiums are eligible, provided the project is an FHA-approved project. MBOH limits its investment exposure to no more than 25% of the units in any given project. Lenders should contact MBOH on a case-by-case basis to confirm eligibility.

Are manufactured homes eligible?

A- Only double-wide homes that are 1976 or newer, have not been moved more than once and de-titled on a permanent foundation can be financed in this program. The foundation must meet FHA standards and be designed by a qualified architect or engineer for that specific home and site (not by a contractor).

What are the title insurance requirements?

A - MBOH requires an extended coverage policy of title insurance with appropriate endorsements. If the property is a manufactured home, Endorsement 107 is also required.

What is the lender compensation under this program?

A - MBOH purchases these loans at par, and does not provide lender compensation. Lenders are allowed to charge fees and points up to 2% of the amount of the first mortgage. Lenders who service MBOH loans will receive 0.375% servicing fees. Lenders who have elected to have MBOH service their loans will receive 0.75 bps service-release fee.

Can lenders use Lender on Line to reserve funds for this program?

A - Update 2/16/16 - **yes.** Lenders are expected to use Lender Online whenever possible. MBOH is developing processes whereby lenders will soon be required to use Lender Online for all transactions.

How do lenders reserve funds for both loans?

A - Lenders review applications for borrower, property and program eligibility, and submit requests to NWMT for funding commitments for the down payment portion of the transaction. At this same time, lenders are allowed to submit requests to MBOH **for pipeline purposes only, and to preserve the rate.** Upon approval by NWMT, lenders will submit all remaining documents required by MBOH (such as NWMT approval and final appraisal), before receiving a commitment of funds for the transaction. This pipeline will be closely monitored in Lender Online.

Who services the loans?

A - The first mortgage loan will either be serviced by the originating lender, or by MBOH, based on existing contracts with each entity. The second loan is serviced by NWMT.

Every program is so different --- how do lenders know they are processing an 80% Combined program loan correctly?

A - The advancement of special programs in recent years has created unique challenges. To help lenders focus on individual criteria, MBOH established a separate web page and documents for each special program, rather than combine conflicting information on a single page or form. This “silo” approach provides lenders with a single location to obtain information and documents specific to a program. All information is on the MBOH website, and not locked inside secure locations. Loan officers, processors, underwriters and shipping staff should all be directed to the individual page for terms and conditions, Q&A and program-specific forms. MBOH welcomes any and all questions as they arise, so lenders can provide quality customer service to home buyers.

February 16, 2016