
MONTANA BOARD OF HOUSING

MORTGAGE CREDIT CERTIFICATE (“MCC”) PROGRAM GUIDE

Dated as of June 16, 2011

TABLE OF CONTENTS

ARTICLE I

DEFINITIONS..... 1

ARTICLE II

REPRESENTATIONS AND WARRANTIES OF THE PARTICIPANT

Section 2.01. Representations, Warranties and Covenants of the Participant 3
Section 2.02. Survival of Representations and Warranties 3

ARTICLE III

ISSUANCE OF MCCS

Section 3.01. Commitment To Issue MCCs 3
Section 3.02. Loan Terms 4
Section 3.03. Federal Eligibility Requirements 4
Section 3.04. Origination Fees and Closing Costs..... 4
Section 3.05. Procedure for MCC Reservation..... 4
Section 3.06. Procedure for MCC Issuance 7
Section 3.07. Maintenance of Mortgage Files 8
Section 3.08. Defective Documents and Nonqualifying Loans 8
Section 3.09. Representations, Warranties and Covenants of Participant Concerning
Loans 9
Section 3.10. Prohibition of Discrimination 9
Section 3.11. Necessary Action by Board and the MCC Program Administrator..... 9
Section 3.12. Remedies 10
Section 3.13. Reissuance of MCC 10

ARTICLE IV

PARTICIPANT

Section 4.01. Liability of Participant 10
Section 4.02. Merger or Consolidation of Participant 10
Section 4.03. Participant Not To Resign..... 10
Section 4.04. Reports 11

ARTICLE V

MISCELLANEOUS PROVISIONS

Section 5.01. Participant as Independent Contractor 11
Section 5.02. Changes in Organization..... 11
Section 5.03. Indemnity 12
Section 5.04. Sale of Loan 12
Section 5.05. Amendments 12
Section 5.06. Other Provisions..... 12
Section 5.07. Notices 12

EXHIBITS

| | |
|-------------|--|
| EXHIBIT A-1 | PRE-CLOSING REQUEST TO RESERVE MCC AUTHORITY |
| EXHIBIT A-2 | POST-CLOSING APPLICATION FOR MCC ISSUANCE |
| EXHIBIT B | MORTGAGOR'S AFFIDAVIT AND CERTIFICATION |
| EXHIBIT C | SELLER'S AFFIDAVIT AND CERTIFICATION |
| EXHIBIT D | NOTICE OF APPLICATION/PROCESSING FEE REFUND GUIDELINES |
| EXHIBIT E | FORM OF MORTGAGE CREDIT CERTIFICATE |
| EXHIBIT F | MORTGAGOR'S NOTICE OF POTENTIAL BENEFITS PROVIDED BY A MORTGAGE CREDIT CERTIFICATE |
| EXHIBIT G | RECAPTURE NOTICE TO MORTGAGOR |
| EXHIBIT H | NOTICE TO MORTGAGOR OF MAXIMUM RECAPTURE TAX AND OF METHOD TO COMPUTE RECAPTURE TAX ON SALE OF HOME |
| EXHIBIT I | QUALIFICATION AS "VETERAN" WITHIN THE MEANING OF 38 U.S.C. SECTION 101 |
| EXHIBIT J | MCC RE-ISSUANCE APPLICATION AND AFFIDAVIT |

MORTGAGE CREDIT CERTIFICATE (“MCC”) PROGRAM GUIDE

INTRODUCTION

Pursuant to the Constitution and laws of the State of Montana, particularly the Montana Code Annotated, §§ 90-6-101 through 90-6-127, and §2-15-1814 (the “Act”), and Section 25 of the Internal Revenue Code of 1986, as amended, the Montana Board of Housing (the “Board”) is authorized to issue Mortgage Credit Certificates to assist qualified individuals with the acquisition of single family residences.

The Board has developed a program within the State of Montana to provide more adequate residential housing facilities for low-income families and persons by issuing Mortgage Credit Certificates.

As a Participant in the Board’s Homeownership Bond Program, each lender is automatically qualified to participate in the Mortgage Credit Certificate Program.

This Mortgage Credit Certificate (“MCC”) Program Guide (this “MCC Guide”) is intended to be used in conjunction with the Board’s Mortgage Purchase and Servicing Guide (the “Bond Guide”). Many of the terms and conditions of the Board’s Homeownership Bond Program are also applicable to the Board’s Mortgage Credit Certificate (“MCC”) Program.

ARTICLE I

DEFINITIONS

Words not defined herein shall have the meanings assigned to them in the Bond Guide.

The following words and phrases shall have the following meanings:

“*Board’s Website*” means the official website of the Montana Board of Housing located at <http://housing.mt.gov/>.

“*Bond Guide*” means the Board’s current Mortgage Purchase and Servicing Guide to be found on the Board’s Website.

“*Code*” means the Internal Revenue Code of 1986, as amended, and any rules or regulations promulgated thereunder.

“*Eligible Person or Family*” means (i) a person or family intending to principally and permanently reside as a household in a Residence, (ii) whose Annual Family Income does not exceed applicable Income requirements set forth in the Bond Guide, and (iii) who is a First-Time Homebuyer unless the Residence is located in a Targeted Area or unless the Homebuyer is a Qualified Veteran.

“*First-Time Homebuyer*” means a Mortgagor of a Residence who has not had an ownership interest in a principal residence, as more fully described in Section 2.05(b) of the Bond Guide.

“*Invitation*” means the Board’s invitation to lending institutions to participate in the MCC Program.

“*MCC Program*” means the Board’s program of issuing Mortgage Credit Certificates, pursuant to the election of the Board not to issue qualified mortgage bonds, as contemplated by this MCC Guide.

“*MCC Program Administrator*” means any employee of the Board who is designated by the Board, from time to time, to administer the MCC Program and to insure the Participant performs its obligations hereunder.

“*MCC Program Expiration Date*” means December 31, 2013, or such earlier date on which the aggregate amount of the Board’s available MCC authority under the MCC Program is committed.

“*Mortgage Credit Certificate*” or “*MCC*” means a certificate in substantially the form of Exhibit E hereto issued by the Board pursuant to the Code which entitles the holder thereof to receive certain federal income tax credits.

“*Mortgagor’s Affidavit and Certification*” means the certification in substantially the form attached hereto as Exhibit B, on which each prospective Mortgagor must certify certain facts in order to assure compliance with the Code.

“*Note*” means the written instrument executed to evidence the Mortgagor’s obligation to repay the mortgage loan.

“*Purchase Price Requirement*” means the amounts set forth in Exhibit F to the Bond Guide.

“*Residence*” shall have the meaning assigned in the Bond Guide, and shall also include factory-made housing not permanently affixed to real property if such a housing unit has at least 400 square feet of living space, is wider than 102 inches and is of a kind customarily used at a fixed location.

“*Qualified Veteran*” shall mean a borrower who is a “veteran” within the meaning of 38 U.S.C. Section 101 (as further explained in Exhibit I hereto) who has not previously obtained a loan financed by single family mortgage revenue bonds utilizing the veteran exception set forth in Section 416 of the Tax Relief and Health Care Act of 2006, as amended.

“*Seller*” means the Seller of a Residence under the Program.

“*Seller’s Affidavit and Certification*” means the certification in substantially the form attached hereto as Exhibit C, on which each prospective Seller must certify certain facts in order to assure compliance with the Code.

“*State*” means the State of Montana.

ARTICLE II

REPRESENTATIONS AND WARRANTIES OF THE PARTICIPANT

Section 2.01. Representations, Warranties and Covenants of the Participant. The Participant reaffirms the representations, warranties and covenants made by the Participant in Article III, Paragraphs (f), (g), (l), (r), (s), (t), (v), (w), (z), (aa), (bb) and (cc) of the Bond Guide (together, the “Covenants”). References to the purchase of Mortgage Loans contained in the Covenants are understood to be read as references to the issuance of Mortgage Credit Certificates when read in conjunction with this MCC Guide. In addition, references to the Mortgage Purchase Date in the Covenants are understood to be read as references to the date of issuance of a Mortgage Credit Certificate.

Section 2.02. Survival of Representations and Warranties. It is understood and agreed that the Participant’s representations, warranties and covenants shall survive the origination of loans by the Participant under the MCC Program. Upon discovery by the Participant of the breach of any of such representations, warranties and covenants which materially and adversely affects the value of any MCC, the Participant shall give prompt written notice to the Board and take such other action as may be required hereunder.

ARTICLE III

ISSUANCE OF MCCS

Section 3.01. Commitment To Issue MCCs. The Board hereby agrees to issue MCCs in substantially the form attached hereto as Exhibit E in accordance with this MCC Guide, the Bond Guide and the Terms and Conditions of the applicable Invitation. The Board will cease reserving and issuing MCCs under the MCC Program on the MCC Program Expiration Date, provided that the Board may determine to reissue an MCC pursuant to Section 3.13 hereof.

The Participant understands and agrees that for one year after the date on which the Board first begins to accept applications for MCCs under the MCC Program, 20% of the aggregate amount of MCCs available under the MCC Program shall be set aside by the Board and allocated for loans for Residences located in Targeted Areas. The Participant agrees to use reasonable diligence to originate loans in Targeted Areas. Such reasonable diligence shall include but is not limited to, periodic advertisements by the Participant in newspapers or other media of the availability of MCCs pursuant to the MCC Program to persons intending to purchase Residences in Targeted Areas.

Section 3.02. Loan Terms. An MCC will be issued only with respect to a loan made in accordance with the terms and conditions set forth in Section 2.04 (a) (i) and (ii) of the Bond Guide.

Section 3.03. Federal Eligibility Requirements. In addition to the set-aside for Targeted Areas in Section 3.01 above and the requirements set forth in Section 3.02 above, each Mortgage Loan for which an MCC is issued must comply with each of the federal eligibility requirements set forth in Section 2.05 of the Bond Guide (except subsections (g) and (h) thereof which do not apply to the MCC Program) and, with respect to Qualified Rehabilitation Loans, also those of Section 2.05.1 of the Bond Guide (collectively, the “Federal Eligibility Requirements”). With respect to Mortgage Loans, the Federal Eligibility Requirements include, among other things, a principal residence requirement, a first-time homebuyer (three-year) requirement, a purchase price limitation, an income limitation, a new mortgage requirement and a mortgage loan recapture notice. With respect to Qualified Rehabilitation Loans, the Federal Eligibility Requirements include all those applicable to Mortgage Loans (except for a first-time homebuyer (three-year) requirement and a new mortgage requirement), as well as a first residency requirement, a 20 year requirement, a 75% external wall requirement, a 25% expenditure requirement and a requirement that a commitment be issued prior to the start of rehabilitation.

The Participant must undertake the certification procedures described in this Section 3.03 and Section 2.05(i) of the Bond Guide to ensure that Federal Eligibility Requirements are met. Further, the Participant must ensure that the Mortgagor has stated in the Mortgagor’s Affidavit and Certification that no portion of the financing for the Residence is provided from the proceeds of a qualified mortgage bond or a qualified veterans’ mortgage bond and no portion of the financing for the Residence is provided by a related person to the Mortgagor (within the meaning of Section 144(a)(3)(A) of the Code).

Section 3.04. Origination Fees and Closing Costs. In connection with each loan, the Participant may charge and collect from the Mortgagor or the Seller of a Residence an MCC fee as specified in the Invitation to Participate and the Terms and Conditions for the current year (a portion of which goes to the Board and a portion of which may go to the letter) and only those reasonable points, origination and servicing fees and other fees and costs for providing of the financing as would be charged to a potential borrower applying for financing not provided in connection with an MCC.

Section 3.05. Procedure for MCC Reservation.

(a) *MCC Pool.* All MCC authority available to the Board will be reserved in a pool and committed to Participants for the Mortgagors on a loan-by-loan, first-come, first-served basis; provided, however, if the Board, in its sole judgment, determines that the provisions of this Section need to be changed, it reserves the right at any time to modify such provisions and such change shall be effective five days after written notification of change has been mailed by the Board to the Participant.

(b) *MCC Loan Reservation Request.* Upon notification by the Board, Participants may begin reserving MCC authority by submitting the documents listed in Part (c) below or submitting the equivalent information electronically over the Internet on “Lender Online.” DOCUMENTATION MUST BE MAILED OR FAXED, AND ALL CONFIRMATIONS OF RESERVATIONS WILL BE BY FAX OR VIA LENDER ONLINE. The order of reservations will be determined by the date and time. Each reservation shall be individually submitted. The Board intends to confirm reservations within five business days.

(c) *Documents to reserve an MCC:* For each MCC reservation request, the Participant must provide the following information:

- (i) Exhibit A-1, Request to Reserve MCC (with Part One completed)
- (ii) A copy of the signed loan application;
- (iii) A copy of the Sales Contract signed by all parties ;
- (iv) Verification of current Gross Annual Family Income;
- (v) Executed Notice of Potential Benefits Provided by a Mortgage Credit Certificate (Exhibit F) ;
- (vi) Executed Notice of Application Fee Refund Guidelines (Exhibit D);
- (vii) Executed Recapture Notice to Mortgagor (Exhibit G) ;

(d) *MCC Reservation Confirmation:* Subject to availability of MCC authority and upon review and approval of the required documentation, the Board will reserve MCC authority for Participants for Qualified Mortgage Loans. The Board’s reservation of MCC authority under an individual MCC Reservation/Confirmation Report shall begin on the date the Board approves the Participant’s request for a reservation of MCC authority and shall expire 60 days thereafter for existing housing and 180 days thereafter for new construction. Such expiration date of the reservation will be set forth in Part II of the original MCC Reservation/Confirmation Report and will be executed and forwarded by the Board to the Participant. The Board intends to process the MCC authority reservations and fax a written confirmation to Participants within five business days of receipt. Once confirmed by the Board, loan level data will also be available to Participants via Lender Online. Confirmation of reservations by telephone will not be allowed. For each confirmed reservation, the Board will assign a Montana Board of Housing MCC Reservation loan number. This number shall be permanently used by the Board and the Participant to identify the MCC Reservation and the related Mortgage Loan. In the event the Mortgage Loan is not closed and the MCC issued within the applicable time period, the reservation will expire. The Board reserves the right to not refund the Application/Processing Fee payable at the time of submission of the complete

Application (see Section 3.06 hereof). Participants need to qualify Mortgagors before submitting a reservation request to avoid loss of the Application/Processing Fee (see Exhibit D attached hereto for the form of Notice of Application/Processing Fee Refund Guidelines). Such MCC authority previously reserved will be made available for use by a different Participant/Mortgagor. In the event the Mortgage Loan is closed and the MCC documentation is delivered to the Board within the time period but it is determined ineligible for participation in the MCC Program, the Application/Processing Fee is forfeited. In the event the reservation expiration date shall occur on a weekend or holiday, such reservation expiration date shall be the next business day of the Montana Board of Housing.

(e) *MCC Issuance Extension.* Upon request, the Participant may be provided an extension of time to deliver complete MCC documentation beyond the original date of reservation expiration. In order to secure an extension, the Participant must provide the estimated delivery date of the complete MCC documentation. Such request for extension must be in writing and must be received by the Board on or before the date of the original reservation expiration date. Participants are advised to closely monitor their own MCC Reservation/Confirmation Reports, including the expiration dates, and to forward applicable extension documentation when due. The Board will not notify Participants of reservation expirations except at the Board's sole discretion.

(f) *Modification of MCC Reservations.* Generally, Participants may not modify or substantially change MCC reservations once a confirmed reservation is made. Should the information provided to the Board regarding a specific reservation be incomplete or inaccurate, the Participant must cancel the reservation and forfeit the Application/Processing Fee. Such funds previously reserved for that particular Mortgagor will be made available for use by a different Participant and Mortgagor. Participants may be at considerable risk regarding whether funds for a reservation will be available. Participants should exercise great care to be sure that information provided to the Board is complete and accurate.

Circumstances may arise in which the Board may consider and approve a modification or correction of the information provided in the MCC Reservation/Confirmation Report. To request such change or correction, the Participant must inform the Board in writing (email acceptable). If approved, the Board will send written confirmation of the modification or correction to the Participant.

(g) *Cancellation of Confirmed MCC Reservations.* The Participant shall immediately notify the Board if the MCC documentation cannot be completed, so that MCC authority may be made available for use by another eligible Mortgagor. No substitutions may be made by the Participant of either Mortgagors or properties. To cancel an MCC reservation, the Participant shall notify the Board in writing. The cancellation request needs to list the Mortgagor's name, MBOH MCC Number, the MCC Reservation amount, and, if applicable, a request for a refund of the Application/Processing Fee. Information should be provided about the reason for the

cancellation (such as a copy of the appraisal, or a copy of the loan denial). The cancellation request will be confirmed by telephone or email to the Participant.

(h) *Application/Processing Fee.* An Application/Processing fee will be collected by the Participant from the borrower, no later than the closing date on the transaction. This fee will be submitted to the Board, together with the required documentation for issuance of the MCC Certificate in Section 3.06.

Nothing contained in this Section 3.05 shall be construed or administered by the Board to limit the use of MCCs to indebtedness for particular lenders.

Section 3.06. Procedure for MCC Issuance. Upon receipt of a complete Post-closing Application for MCC Issuance (see Exhibit A-2), the Program Administrator will review the application and issue the MCC, if the application package and transaction are in compliance and qualify according to the provisions of the Code, the Invitation, the Bond Guide and this Guide. An incomplete application will not be considered or processed until it is complete.

The Board will deliver the MCC to the Participant for delivery to the Mortgagor, within 30 days of the Board's receipt of the complete "Post-closing Application for MCC Issuance."

The "Post-closing Application for MCC Issuance" shall contain the following:

(a) Completed "Post-closing Application for MCC Issuance" (MBOH Exhibit A-2, Revised 6/11);

(b) The Participant's check for the Application/Processing Fee made payable to Montana Board of Housing, in the amount specified in the Invitation.

(c) Copy of executed sales contract;

(d) Copy of completed Loan application FHCMC/FNMA 1003, the FHA/VA Loan application, or the Participant's loan application executed by the Mortgagors;

(e) Verification of Gross Annual Family Income;

(f) Copy of the signed "Mortgagor's Notice of Potential Benefits Provided by a Mortgage Credit Certificate" in the form attached hereto as Exhibit F;

(g) Copies of the Mortgagor's signed Federal Income Tax returns for the previous three years (if the Residence is in a Non-Targeted area);

(h) Copy of the Mortgagor's executed "Note";

(i) Copy of the HUD-1 or comparable closing statement;

(j) Copy of the recorded security instrument;

(k) Copy of the appraisal, if applicable;

(l) Original executed Mortgagor's Affidavit and Certification in the form attached hereto as Exhibit B;

(m) Original executed Seller's Affidavit and Certification in the form attached hereto as Exhibit C;

(n) Copy of the signed "Notice to Mortgagor of Recapture Tax and of Method to Compute Recapture Tax on Sale of Home" attached hereto as Exhibit H;

(o) Executed "Notice of Application/Processing Fee Refund Guideline" attached hereto as Exhibit D;

(p) "Recapture Notice to Mortgagor" attached hereto as Exhibit G; and

(q) Qualification as "Veteran" within the meaning of 38 USC Section 101 attached hereto as Exhibit I (if applicable).

These provisions, requirements and the form of the Exhibits hereto are subject to revision at the discretion of the Board without prior notice to or the consent of the Participants to ensure the fair and orderly distribution of MCC authority.

Nothing contained in this Section 3.06 shall be construed or administered by the Board to limit the use of MCCs to indebtedness for particular lenders.

Section 3.07. Maintenance of Mortgage Files. The Participant shall, at its own expense, maintain a file containing all documents prepared with respect to each loan for which an MCC is issued.

Each file shall be maintained by the Participant for the longer of (a) six years following the year in which the loan was made or (b) a minimum of three years from the date the loan is fully paid or otherwise terminated. The files shall be kept at the Participant's regular place of business in the State and shall be available for inspection by the Board at such reasonable times and in such reasonable manner as the Board shall determine.

The Participant shall also retain all canceled checks, bank statements and other records of the Participant relating to each loan. Upon the termination of this MCC Guide, if the Board so directs, the Participant shall send all files with respect to the loans to the Board. The Participant shall provide at its expense copies of any records and files reasonably requested by the Board.

Section 3.08. Defective Documents and Nonqualifying Loans. If the Participant discovers that (a) any document or documents constituting a part of an Application for MCC Reservation package are false, misleading or otherwise defective in any material respect, (b) a loan is or becomes a Nonqualifying Loan (as defined below), or (c) there is a breach of any of the representations, covenants and warranties set forth herein, then the Participant shall immediately notify the Board, and the Participant shall cure the defect or breach within a period of 60 days from the time the Participant discovers such defect or breach or such determination is made known to the Participant (the "Cure Period").

The Participant covenants and agrees that, if any loans described above cannot be cured within the Cure Period, the Participant will immediately notify the Board, the Program Administrator and the Mortgagor, and the MCC shall be canceled.

As used herein, the term “Nonqualifying Loan” shall mean and include any loan with respect to which an MCC was issued hereunder and which does not meet one or more of the Federal Eligibility Requirements set forth in the Bond Guide or which loan has been paid or otherwise satisfied.

Section 3.09. Representations, Warranties and Covenants of Participant Concerning Loans. The Participant hereby represents and warrants to and covenants with the Board and Program Administrator that:

(a) The information set forth in each document submitted will be true and correct at the closing date thereof and each loan with respect to which an MCC is issued will satisfy all applicable requirements set forth herein.

(b) Each loan, at the time it is made, shall have conformed to all disclosures required to be made by the Real Estate Settlement Procedures Act and the Consumer Credit Protection Act and all other applicable State and federal laws and regulations.

(c) Each loan at the time it is made shall have complied with the applicable State and federal usury laws.

(d) If an allocation has been reserved pursuant to Section 3.05 hereof, submission of the final MCC application shall represent a confirmation by the Participant that at the time of closing there has been no change in circumstances to cause the Mortgagor or the transaction to no longer be in compliance with the requirements of the Code and the Invitation.

(e) The Participant shall use its best efforts to secure MCCs on behalf of eligible Mortgagors.

Section 3.10. Prohibition of Discrimination. The Participant must consider all applications in the order in which they are received, or in any other manner designated or approved by the Board, on a fair and equal basis, may not arbitrarily reject a loan application because of the location, and/or age of the property, and may not, in the case of a proposed Mortgagor, arbitrarily vary the terms of a loan or the application procedures therefore or reject a loan applicant because of the race, color, religion, national origin, age, sex or marital status of such applicant or in violation of any State or local law. No Participant shall enter into any agreement or arrangement with any person, firm or corporation to prefer any applicant or group of applicants for such loans without the express approval of the Board.

The Participant shall not directly or indirectly attempt to prohibit a Mortgagor from seeking financing from any particular lender, nor attempt to require a Mortgagor to seek financing from a specific lender.

Section 3.11. Necessary Action by Board and the MCC Program Administrator. In the event that any action required by the Board or MCC Program Administrator for or in connection with any loan shall not be timely done or performed by the Participant, and the continuance of any such nonaction, in the opinion of the Board or the MCC Program Administrator may become inimical to the best interests of the Board hereunder, the Board and/or the MCC Program Administrator shall promptly undertake such action as they deem proper or necessary in the circumstance in substitution for, and at the reasonable expense of, the Participant, and the Participant shall be liable for and shall promptly pay to the Board and/or the MCC Program Administrator all of their expenses and costs (including that of their counsel) as to such action taken by them in such circumstances, and the Board and the MCC Program Administrator shall not be liable to the Participant on account of any such action taken by them in good faith and after written notice to the Participant to undertake such required action.

Section 3.12. Remedies. Upon failure by the Participant to comply with the conditions and terms hereof, the Board may terminate its participation in the Program. In addition, the Participant may become ineligible for subsequent participation in any other housing program of the Board.

Section 3.13. Reissuance of MCC in Event of Refinancing. In the event a Borrower who receives an MCC under the MCC Program, or any previous MCC program of the Board, refinances the related Note, the Board may (but is under no obligation to) elect to reissue such MCC in accordance with such terms and conditions (including without limitation those imposed by the Code) as the Board may specify. In such a case the provisions of this Guide (or any comparable guide applicable to an MCC issued pursuant to a previous MCC program of the Board) and the then in-effect Invitation to Participate shall continue to apply to the applicable Participant and MCC Program Administrator. A form of an MCC Reissuance Application and Affidavit is attached as Exhibit J.

ARTICLE IV

PARTICIPANT

Section 4.01. Liability of Participant. The Participant shall be liable hereunder to the extent that the obligations are explicitly imposed upon the Participant.

Section 4.02. Merger or Consolidation of Participant. Any entity into which the Participant may be merged or consolidated, or any entity resulting from any merger, conversion or consolidation to which the Participant shall be a party, or any entity succeeding to the business of the Participant, shall be the successor of the Participant hereunder without the execution or filing of any document or instrument, except as provided herein.

Section 4.03. Participant Not To Resign. The Participant shall not resign from the obligations and duties hereby imposed on it except upon determination that its duties hereunder are no longer permissible under applicable law or regulation. Any such determination permitting the resignation of the Participant shall be evidenced by an opinion of counsel satisfactory to the Board to such effect delivered to the Board. No such resignation shall be effective until the

Board, the MCC Program Administrator, or a successor of the Participant shall have assumed the Participant's responsibilities and obligations under this MCC Guide. Any Participant seeking a determination permitting resignation under this Section 4.03 shall submit to the Board in writing a specific plan of how its responsibilities and obligations under this MCC Guide will be carried out after the proposed resignation. The Participant shall bear any costs or indemnify the Board for any costs which are incurred by the Board in having the Participant's responsibilities and obligations under such sections carried out during or as a result of the resignation process.

Section 4.04. Reports. The Participant shall file an annual report with the Internal Revenue Service on IRS Form 8329 (or such other form as may be designated by law or regulation) during the period that MCCs are being issued by the Board and submit a copy thereof to the Board. Copies thereof shall be delivered to the Board's office within ten (10) days of the date the report was due to the IRS.

For six years following the year in which a loan for which the Board issued an MCC was made, the Participant shall retain on its books, records and have available a summary of loans which includes the following information:

- (a) The name, address, and Social Security number of each MCC holder.
- (b) The name, address, and Federal taxpayer identification number of the Board.
- (c) The date the loan was closed, the date the MCC was issued, the certified indebtedness amount, the credit rate under the MCC, and the amount of MCC issued.

The Board shall make quarterly reports to the Internal Revenue Service on IRS Form 8330 (or such other form as may be designated by law or regulation) and any additional reports as required by law.

The Participant hereby acknowledges that the penalty provisions of Section 6709(c) of the Code which apply to the failure of the Participant to file IRS Form 8329 shall survive the termination of this MCC Guide or any resignation of the Participant by reason of Section 4.03 of this MCC Guide.

ARTICLE V

MISCELLANEOUS PROVISIONS

Section 5.01. Participant as Independent Contractor. In the performance of its duties as the Participant hereunder, the Participant shall be an independent contractor acting in its own behalf and for its own account and without authority, express or implied, to act for or on behalf of the Board, in any capacity other than that of an independent contractor, save as herein expressly set forth or as may from time to time be authorized by the Board in writing.

Section 5.02. Changes in Organization. The Participant shall immediately notify the Board and MCC Program Administrator of any contemplated, material change in its

organization, including but not limited to, mergers or consolidations, changes of name or corporate charter. The Participant shall immediately notify the Board and MCC Program Administrator of any voluntary or involuntary proceedings which might result in bankruptcy, reorganization, dissolution, liquidation, the appointment of a trustee or receiver, an assignment for the benefit of creditors or the Participant having its activities restricted in any manner related to its performance of material obligations hereunder by any governmental agency.

Section 5.03. Indemnity. The Participant will indemnify and hold harmless the Board, and its members, officers, employees and agents from and against any and all claims, causes of action, loss, damages, costs and expenses (including attorney's fees), judgments (or appeals thereof), fines, penalties, and liability of any nature whatsoever that may be related to or arise out of any failure on the part of the Participant to perform its services, duties and obligations under the terms and provisions of this MCC Guide, notwithstanding knowledge, act, or failure to act by the Board, other than an act or failure to act which prevents the Participant from performing such services, duties and obligations.

Section 5.04. Sale of Loan. The Participant shall remain obligated upon the sale of a loan or servicing to report noncompliance that it discovers in accordance with this MCC Guide and to report program data to the Internal Revenue Service and the Board in compliance with this Guide.

Section 5.05. Amendments. The Board may amend this MCC Guide without prior notice to or the consent of the Participant as necessary to comply with the Code provisions governing MCCs and the MCC Program.

Section 5.06. Other Provisions. The provisions contained in Section 6.05(a), (d), (e), (g) and (h) of the Bond Guide are incorporated herein by reference.

Section 5.07. Notices. The Participant and the Board will provide any required notices in accordance with Section 6.04 of the Bond Guide.

EXHIBIT A-1

**MONTANA BOARD OF HOUSING
MORTGAGE CREDIT CERTIFICATE (MCC) PROGRAM**

PRE-CLOSING REQUEST TO RESERVE MCC AUTHORITY

Part I: (to be completed by Lender)

| LENDER | MORTGAGOR |
|-------------------|------------------------|
| Name _____ | Name _____ |
| Address _____ | Property Address _____ |
| City _____ | City _____ |
| Lender Code _____ | County _____ |

The following are enclosed with this Application for MCC Reservation:

LENDER USE

MBOH USE

- | | | |
|-----------------------------|---|-----------------------------|
| 1. <input type="checkbox"/> | Copy of the signed Loan Application | 1. <input type="checkbox"/> |
| 2. <input type="checkbox"/> | Copy of the Sales Contract signed by all parties | 2. <input type="checkbox"/> |
| 3. <input type="checkbox"/> | Verification of current Gross Annual Family Income | 3. <input type="checkbox"/> |
| 4. <input type="checkbox"/> | Signed Notice of Potential Benefits Provided by a Mortgage Credit Certificate (Exhibit F) | 4. <input type="checkbox"/> |
| 5. <input type="checkbox"/> | Signed Notice of Application/Processing Refund Guideline (Exhibit D) | 5. <input type="checkbox"/> |
| 6. <input type="checkbox"/> | Signed Recapture Notice to Mortgagor (Exhibit G) | 6. <input type="checkbox"/> |

MCC RESERVATION REQUEST

Date Requested _____ Existing housing ; or
New construction

Reservation Loan Amount \$ _____ Mortgage Loan Rate _____%

_____ Mortgage Loan Term _____
Lender Contact Signature

_____ Lender Contact Phone Number _____ Lender Contact Fax _____
_____ Lender Contact Email _____

Part II MCC RESERVATION CONFIRMATION (to be completed by MBOH)

Date Reserved _____ MCC Number _____

_____ Expiration Date _____

_____ MBOH Authorized Signature

**MONTANA BOARD OF HOUSING SUBMISSION VOUCHER
MORTGAGE CREDIT CERTIFICATE (MCC) PROGRAM (Exh A-2)**

(Revised 11/17/17)

Reservation Loan Number: _____

| | | |
|---------------------|---------------------|------------|
| Lender | Mortgagor | |
| _____ | _____ | |
| Loan Officer | Co Mortgagor | |
| _____ | _____ | |
| Lender No. | Address | |
| _____ | _____ | |
| County | City | Zip |
| _____ | _____ | _____ |



| <u>Lender Use</u> | <i>(Voucher details can be found by clicking here)</i> | <u>MBOH Use</u> |
|-------------------|---|-----------------|
| _____ | 1 Lender's check in the amount of \$500 payable to MBOH (identifying borrower/MCC Loan #) | _____ |
| _____ | 2 Final LOAN APPLICATION | _____ |
| _____ | 3 Executed BUY/SELL AGREEMENT included counter offers, initials and signatures of borrowers & sellers | _____ |
| _____ | 4 INCOME VERIFICATION for all parties 18+ years old . Full WRITTEN VOES , profit & loss/tax returns for self-employment, child support, social security and/or other benefitss statements, and if applicable, statement of no income for non-employed | _____ |
| _____ | 5 MORTGAGOR'S NOTICE OF POTENTIAL BENEFITS (Exh F) | _____ |
| _____ | 6 Signed FEDERAL TAX RETURNS for previous 3 years (NOT required in Targeted areas); tax transcripts are acceptable | _____ |
| _____ | 7 Copy of executed NOTE | _____ |
| _____ | 8 Final H-25(B) CLOSING DISCLOSURE including borrower's & seller's copies | _____ |
| _____ | 9 ALTA SETTLEMENT STATEMENTS including borrower's & seller's copies, if available | _____ |
| _____ | 10 Copy of <u>recorded</u> DEED OF TRUST | _____ |
| _____ | 11 APPRAISAL REPORT (form 1004, 1004C or 1073) or equivalent | _____ |
| _____ | 12 MORTGAGOR'S AFFIDAVIT | _____ |
| _____ | 13 SELLER'S AFFIDAVIT | _____ |
| _____ | 14 MAX RECAPTURE TAX COMPUTE FORM signed by borrowers | _____ |
| _____ | 15 NOTICE OF RESERVATION REFUND FEE GUIDELINE (Exh D) | _____ |
| _____ | 16 RECAPTURE NOTICE TO MORTGAGOR signed by borrower(s) at time of application | _____ |



Closing date: _____ **Appraised Value:** _____ **Mo. Flood Ins Prem:** _____

HOA Dues: _____ **Mo. Hazard Ins Prem:** _____ **Mo. Mortgage Ins Prem:** _____

Mo. Taxes _____ **Total Mo. Payment** _____

I certify that all documents indicated above are enclosed and complete

_____ **Authorized Signature** _____ **Email Address** _____ **Phone Number**

EXHIBIT B

**MORTGAGOR'S AFFIDAVIT AND CERTIFICATION
SINGLE FAMILY BOND PROGRAM OR MCC PROGRAM**

MORTGAGE LOAN INTEREST RATE ____%

ISSUER: Montana Board of Housing ("Board")

MORTGAGOR(S) _____

PROPERTY ADDRESS _____

LEGAL DESCRIPTION: _____

___ TARGETED AREA

___ NON-TARGETED AREA

The undersigned (jointly and severally, the "Mortgagor"), as applicant for a Mortgage Loan (or as applicant to assume a Mortgage Loan) financed by the Single Family Bond Program or as applicant for a mortgage credit certificate ("MCC") with respect to a Mortgage Loan under the MCC Program, and as purchaser of a Residence which is the subject of such Mortgage Loan, being first duly sworn (or affirmed) under oath, hereby states and certifies that:

1. I possess the legal capacity to incur the obligations of the Mortgage Loan.
2. I shall use the Residence to be purchased as my principal residence promptly and in no event later than sixty (60) days following the Mortgage Loan closing, and thereafter to maintain the property as my principal residence throughout the term of the Loan. I do not intend to, or have not entered into an arrangement to rent, sell, assign or transfer the Residence. I will not use the Residence in a trade or business which qualifies me to deduct any portion of the cost of the home as a home business expense on my federal tax return, and in any event will not use the Residence primarily in a trade or business. (A residence more than 15% of the total area of which is reasonably expected to be used in a trade or business, including child care services on a regular basis for compensation, is "primarily for purposes of a trade or business.") I will not use the Residence as an investment property or a recreational home. The land purchased with the Residence does not exceed the acreage limitation of the Small Tract Financing Act and the value of the land financed is not to exceed 35% of the loan (except as permitted by the Board in limited circumstances) and will not, other than incidentally, provide a source of income.
3. The information included in the residential loan application is true, accurate and complete. No part of the cash down payment or closing costs has been borrowed from any source other than disclosed upon this application. Mortgagor(s) name(s), the property address and legal description for the mortgage applied for are all true and correct.
4. I understand that if there is a continuous period of at least one year during which the Residence (financed by a Loan under the Bond Program) is not the principal residence of at least one of the Mortgagors, then under Section 150(b) of the Internal Revenue Code of 1986, as amended, (the "Code"), no deduction is allowed in computing taxable income for interest that accrued on the Loan on or after the date such one-year period began.
5. I understand (i) that my Mortgage Loan has been financed with the proceeds of tax-exempt qualified mortgage bonds or (ii) that the MCC is provided through the use of qualified mortgage credit certificates pursuant to the Code. As a Mortgagor I may receive benefits from this financing such as a savings in mortgage loan interest costs or benefits from an MCC such as a tax credit that may reduce my federal income tax liability. As a result, pursuant to Section 143(m) of the Code, I may, at the time of resale of a Residence financed by a Mortgage Loan, be subject to a special "recapture tax" for federal income tax purposes. I understand that I should consult a tax advisor at the time of resale of the residence to determine the amount, if any, of such "recapture tax." I hereby

acknowledge receipt of the "Notice to Mortgagor of Maximum Recapture Tax and of Method to Compute Recapture Tax on Sale of Home" from the Participant.

6. The family income of all Mortgagors and of all adult persons who reside or intend to reside with such mortgagor in the same Residence (other than persons under 18 years of age), is \$_____. There are _____ members of our family that will occupy the Residence. All information is true and complete.

7. I understand that under the applicable above referenced Program, all or a part of the Mortgage Loan proceeds may be used to pay or replace a short term construction loan or temporary initial financing on the residence to be financed where the term of such interim financing is 24 months or less. Complete and accurate copies of all documents have been provided to the Participant pertaining to the interim financing (if applicable) of the Residence to be financed under the Program. I have not had a mortgage (whether paid off or not) on the Residence at any time prior to the execution of the mortgage (other than such construction or temporary loan).

8. I understand that for purposes of the following, examples of interests which constitute "Present Ownership" interests are as follows: (i) a fee simple interest, (ii) a joint tenancy; a tenancy in common, or tenancy by the entirety; (iii) the interest of a tenant-shareholder in a cooperative; (iv) a life estate; (v) a land contract (i.e., a contract pursuant to which possession and the benefits and burdens of ownership are transferred although a legal title is not transferred until some later time); and (vi) an interest held in trust for the Mortgagor (whether or not created by the Mortgagor) that would constitute a present ownership interest if held directly by the Mortgagor.

Also for the purposes of the following, I understand that examples of interests which DO NOT constitute "Present Ownership" interests are as follows: (i) a remainder interest, (ii) a lease with or without an option to purchase; (iii) a mere expectancy to inherit an interest in a principal residence; (iv) the interest that a purchaser of a residence acquires on the execution of a purchase contract; and (v) an interest in other than a principal residence during the previous three years.

Select (a) or (b) or (c) as appropriate:

___ (a) Other than allowed as a consequence of financing in effect as set forth in Section 7 above at no time during the three-year period prior to the closing of this Mortgage Loan have I had any present ownership interest in my principal residence. During the three-year period prior to the closing of this Mortgage Loan I have lived as a tenant, lived with members of my immediate family, or under some other arrangement without having a "Present Ownership" interest in the principal residence in which I lived.

___ (b) During the three-year period prior to the closing of this Mortgage Loan I have had a "Present Ownership" interest in my principal residence.

___ (c) I am a "veteran" within the meaning of 38 U.S.C. Section 101 who has not previously obtained a loan financed by single family housing revenue bonds or mortgage credit certificate and utilizing the veterans exception of Section 143(d)(2)(D) to the three-year "Present Ownership" rule described in (a) above, or I am a spouse of such a veteran who is also a Mortgagor.

9. The Residence I am purchasing (___) IS or (___) IS NOT located in a Targeted Area. If the Residence being purchased with this Mortgage Loan IS NOT located in the Targeted Area (as indicated above), or I do NOT qualify as a "veteran" (as indicated above), I am required and have attached hereto copies of my signed Federal Income Tax Returns for the three previous years or as otherwise required unless I did not and was not required to file such a return in accordance with Section 6012 of the Internal Revenue Code. Full disclosure and documentation of such has also been provided to the Mortgage Lender if applicable. The years for which I was not required to file Federal Income Tax Returns were as follows: _____. Indicate reason not required to file returns, if applicable: _____.

If the Mortgage Loan is closed between January 1 and April 15 of this calendar year, I (we) understand that a complete copy of my (our) federal income tax return for the previous year must be provided to Montana Board of Housing through the Participant as soon as reasonably possible, or by April 15, whichever is earlier.

10. The "Acquisition Cost" of the Residence is \$ _____. I hereby certify the information used in computing Acquisition Cost to be true, accurate and complete. Attached hereto is a complete and accurate copy of the buy/sell agreement (purchase or sales contract) executed by the Mortgagor(s) and seller(s). There exists no other agreement, written or oral, between the Mortgagor and seller.

I have provided all of the funds for the down payment for purchase of this property from my own funds, or those fully allowed and fully disclosed in my financial statement and not directly or indirectly in any part from funds or collateral provided, given or financed directly or indirectly from, by or through the seller or any other party acting upon request of seller or myself.

11. Neither I or any related person, as defined in Section 147(a)(2) of the Code shall, pursuant to an arrangement, formal or informal, purchase any bonds the proceeds of which were used to provide financing for the Mortgage Loan in an amount related to the amount of my Mortgage Loan.

12. If the Mortgage Loan is financed under the Bond Program, I understand I am not allowed to sell my home to any person and permit such person to assume my obligations under the mortgage and related note (with or without release of my liability) unless such person (i) satisfies all requirements of this affidavit and so certifies as such; (ii) meets all assumption requirements of FHA, PMI, RD or VA (as applicable); and (iii) has obtained prior written consent of the Board and Participant.

13. I have read the Note, Mortgage and Addendum, and, if the Mortgage Loan is financed under the Bond Program, understand that the failure to meet one or more of the requirements, or misrepresentation by me as to one or more of the above stated requirements, may result in acceleration of the Mortgage Note resulting in a demand for immediate payment of the entire balance owing on the Mortgage Loan.

14. If the Mortgage Loan is benefitting from an MCC (i) I represent and warrant that no portion of the financing of the Residence is provided from the proceeds of a qualified mortgage bond or a qualified veteran's mortgage bond and no portion of the financing for the Residence is provided by a related person to the Mortgagor; (ii) I understand that I may seek financing from any lender of my choosing (the Participant has informed me that it is a Participant in the Board's MCC Program, the Guide for which contains the eligibility requirements for qualified MCCs); and (iii) I understand that if an MCC is issued to me, it may not be transferred or assumed without the written consent of the Board.

15. I certify that () I AM or () I AM NOT an employee, officer, director or member of the Board, of the Trustee or of the Participant or other State Official, acting on behalf of the Board, through which I am making the Mortgage Loan Application, and that () I AM or () I AM NOT related by blood, marriage or adoption to any such persons. My position and/or relationship (if applicable) is _____.

16. I am not presently obligated on a mortgage loan financed under the Bond Program or MCC Program.

17. I understand that further investigation or verification of the information provided may be required, and that all information provided, including my tax returns, is hereby deemed to be public information and do hereby release the Participant, the Board, the Trustee (as applicable) and their respective trustees, officers, directors, employees, attorneys and agents from any claim that I may now have or in the future based upon, arising out of or related to any investigation or verification which the Board, its trustees, officers, directors, employees, attorneys or agents may undertake.

18. In some cases, the Board may combine money from more than one series of bonds to make a single mortgage loan under its Bond Program. In such cases, to comply with the requirements of the Internal Revenue Service, the Board allocates separate rates of interest for the separate portions of the mortgage loan. For the convenience of you as the borrower/mortgagor, the Board uses a single mortgage/deed of trust note that states a single blended interest rate that is the basis for the monthly mortgage payments. Effectively, the Board is financing a loan from each of its series of bonds in such a case, but aggregating the two in a single mortgage/deed of trust note. The Board reserves the right in the future to change the series of bonds from which a mortgage/deed of trust note is funded. However, in no way will any such change of funding source affect the monthly payments, terms, rights or obligations of the borrower/mortgagor under the mortgage note. As borrower/mortgagor, you may request

from the Board at any time information about the sources of funding for your mortgage/deed of trust note, but only upon payment of any reasonable costs the Board incurs in providing such information.

19. I hereby state under oath that each of the statements and the information on the residential loan application and in this Mortgagor's Affidavit and Certification is material and is required to obtain a Mortgage Loan and declare under penalty of perjury, fraud and misrepresentation, which are felony offenses, that the above statements are true, accurate and complete. I understand that, if I have made any material misstatements in the foregoing representations or omitted to state any of the information requested, the following may occur:

(a) I may be fined not more than \$1,000,000 or imprisoned not more than thirty (30) years, or both, pursuant to Section 1014 of Title 18 of the United States Code.

(b) The office of the district attorney may be contacted for investigation regarding misrepresentation and fraud.

(c) The outstanding principal balance of the Mortgage Loan, if financed under the Bond Program, may be declared immediately due and payable together with accrued interest and foreclosure costs (if foreclosure is necessary because payment in full is not made immediately).

Mortgagor's Signature Date

Mortgagor's Signature Date

Mortgagor's Printed Name

Mortgagor's Printed Name

Mortgagor's Social Security Number

Mortgagor's Social Security Number

STATE OF MONTANA]
]
COUNTY OF _____]

ss.

On this ____ day of _____, 20__, before me, a notary public for the State of Montana, personally appeared _____, known to me to be the person whose name is subscribed to the within instrument, and acknowledged to me that he executed the same.

In witness whereof, I have hereunto set my hand and affixed my notarial seal on the day and year first-above written.

[NOTARIAL SEAL]

(Print Name)
Notary Public for the State of Montana
Residing at: _____
My Commission expires: _____

I have explained the contents of this Affidavit to each of the Mortgagors whose signature appears above, and I have no reason to believe that those individuals made any misstatements in the warranties and representations required to be made herein or omitted to state any of the information requested.

Signature

Name and Title

Date:

Mortgage Lender

EXHIBIT C

**SELLER'S AFFIDAVIT
SINGLE FAMILY BOND PROGRAM
OR MCC PROGRAM**

ISSUER: Montana Board of Housing ("Board")

SELLER'S NAME _____

SELLER'S ADDRESS _____

(forwarding address when applicable)

MORTGAGOR'S NAME _____

PROPERTY ADDRESS _____

The undersigned (jointly and severally the "Seller"), as Seller of a Residence which is subject to a Mortgage Loan provided by the above-referenced Programs, being first duly sworn (or affirmed) under oath hereby states and certifies that:

1. Select (a), (b), (c) or (d) as appropriate:
 - (a) The Seller is more than eighteen (18) years of age and a citizen of the United States.
 - (b) The Seller is a corporation duly organized and in good standing under the laws of _____ (corporate jurisdiction), and the persons executing this affidavit and the deed on behalf of the Seller are duly elected officers of the Seller and have been fully empowered by proper resolution of the board of directors of the Seller to execute and deliver this affidavit and the deed; and the Seller has full corporate capacity to convey the real estate described herein and all necessary corporate action for the making of such conveyance has been taken and done.
 - (c) The Seller is a Montana _____ and the persons executing this affidavit and deed on behalf of the Seller are fully empowered to execute and deliver this affidavit and deed.
 - (d) Other (provide explanation) _____
2. The Seller has executed a deed to the above-indicated Purchaser, conveying the Residence described and located at the Property Address indicated above.
3. The Seller has taken no action which would adversely affect the title to this property.
4. The Seller has not, either as principal or surety, executed any appeal bond or recognizance bond which is or might become a lien on the Residence. There are no suits pending or judgments in any court by or against the Seller affecting the Residence or in which a judgment lien could be acquired on the Residence. There are no bankruptcy proceedings pending by or against the Seller.
5. The Seller has taken no action which would create a lien or charge against the Residence, fixtures or property under the Uniform Commercial Code or otherwise.
6. The Seller further says _____. (Disclose any other items which adversely affect title to the Residence.)
7. The Acquisition Cost of the Residence to the Mortgagor as indicated on the Mortgagor's Affidavit is \$_____. I hereby certify the information indicated to calculate the Acquisition Cost to be true, correct and complete.
8. The contract of sale between the Seller and the Mortgagor represents all agreements between the parties involved in the real estate transaction.
9. I further certify that (___) I AM or (___) I AM NOT an employee, officer, director or member of the Montana Board of Housing (the "Board"), the Trustee or the Participant acting on behalf of the Board through which

EXHIBIT D

MONTANA BOARD OF HOUSING

MORTGAGE CREDIT CERTIFICATE (MCC) PROGRAM

NOTICE OF APPLICATION/PROCESSING FEE REFUND GUIDELINES

An application/processing fee is required from each applicant for a Montana Board of Housing mortgage credit certificate (MCC). The Participant lender will collect the Application/Processing Fee at the time the Participant lender qualifies me/us under Montana Board of Housing guidelines and closes my/our loan.

I/we may be at risk of loss of the Application/Processing Fee, if Montana Board of Housing confirms the MCC reservation request and the MCC is not completed and issued.

It is not the intent of Montana Board of Housing to cause financial harm to applicants, but refunds are generally not granted.

I (we) have read these guidelines and understand the associated risk of a potential loss of the Application/Processing Fee.

Applicant

Dated

Applicant

Dated

Participant's Authorized Signature

Dated

EXHIBIT E

MORTGAGE CREDIT CERTIFICATE MCC PROGRAM

**FORM OF
MORTGAGE CREDIT CERTIFICATE**

1. This Mortgage Credit Certificate No. _____ is issued effective _____, by the Montana Board of Housing (the "Board"), TIN No. _____.

2. The Certificate is issued pursuant to the election of the Board, dated April 7, 2008, not to issue qualified mortgage bonds.

3. The Certificate has been issued in reliance upon the Affidavits of the Mortgagor and the Seller of the Residence that all conditions required for the issuance of a qualified Mortgage Credit Certificate have been met.

4. This Certificate is issued to:

who shall be known as the Mortgagor.

5. This Certificate shall entitle the Mortgagor to a credit rate of twenty percent (20%) for a Certified Indebtedness Amount of \$_____, which consists of financing (the "Loan") received from (Participant name and mailing address):

who shall be known as the Participant.

6. This Certificate is to be used in connection with the purchase of a single family residence (the "Residence") located at:

_____.

7. The acquisition cost for the Residence is \$_____ and the acquisition cost applicable to the Residence is a maximum of \$_____. The acquisition cost is below the applicable average area purchase price.

8. This Certificate meets the requirements of:

(a) Temporary IRS Regulation Section 1.25-3T(d) relating to the residence requirement;

(b) Temporary IRS Regulation Section 1.25-3T(e) relating to the 3-year requirement;

(c) Temporary IRS Regulation Section 1.25-3T(g) relating to the new mortgage requirement;

(d) Temporary IRS Regulation Section 1.25-3T(i) relating to prohibited mortgages;

(e) Temporary IRS Regulation Section 1.25-3T(j) relating to particular lenders;

(f) Temporary IRS Regulation Section 1.25-3T(k) relating to allocations to particular developments;

(g) Temporary IRS Regulation Section 1.25-3T(n) relating to interest paid to related persons; and

(h) Section 143(f) of the Internal Revenue Code of 1986, as amended, relating to income limitations.

9. The Residence in connection with which this Certificate is issued is is not located in a Targeted Area.

10. The Loan closed on _____.

11. This Certificate shall expire upon the earliest of revocation, repayment of the Certified Indebtedness Amount, or the date on which the Residence ceases to be the Mortgagor's principal residence.

12. This Certificate is not transferable.

13. If the Board becomes aware that a material misstatement, whether negligent or intentional, has been made in the application for this Certificate, this Certificate shall be revoked. Further, if such material misstatement shall be due to fraud, this Certificate shall automatically be null and void without any need for further action on the part of the Board.

Under penalty of perjury, I hereby declare that to the best of my knowledge and belief, the determinations required by the Temporary Regulations, as identified in paragraph 8 of this Certificate have been made.

MONTANA BOARD OF HOUSING

Dated: _____

Program Administrator

EXHIBIT F

MORTGAGE CREDIT CERTIFICATE (MCC) PROGRAM

**MORTGAGOR'S NOTICE OF POTENTIAL BENEFITS
PROVIDED BY A MORTGAGE CREDIT CERTIFICATE (MCC)**

If you are considering applying for a Mortgage Credit Certificate (an "MCC") through a lender, it is **EXTREMELY IMPORTANT** that you understand the potential benefits an MCC may or may not provide you in being able to afford your contemplated home purchase.

Please review the General Overview of an MCC (below). **IT IS STRONGLY RECOMMENDED THAT YOU CONTACT A TAX PROFESSIONAL BEFORE APPLYING FOR AN MCC IN ORDER TO DETERMINE THE POTENTIAL BENEFITS AN MCC MAY PROVIDE YOU.** The Montana Board of Housing reviews MCC applications based on the contents of such applications, solely for compliance with program guidelines and does not determine whether a particular applicant will benefit from an MCC.

General Overview

An MCC permits a qualifying buyer purchasing a qualifying home to claim a tax credit that may reduce the buyer's federal income tax liability, if any. Mortgagors may use their tax savings to help with their home mortgage payments.

The size of the annual tax credit will be 20% of the annual interest paid on the certified portion of the mortgage. **THE CREDIT TAKEN CANNOT BE LARGER THAN THE HOME MORTGAGOR'S ANNUAL FEDERAL INCOME TAX LIABILITY, AFTER DEDUCTIONS, PERSONAL EXEMPTIONS AND CERTAIN OTHER CREDITS ARE TAKEN INTO ACCOUNT.** An MCC credit in excess of the current year tax liability may be carried forward for use in the subsequent three years (if the homebuyer still has a federal income tax liability following use of the subsequent year's MCC credit). In any case, the amount of the credit will reduce the homebuyer's home mortgage interest deduction.

As an example, you decide to purchase a home for \$110,000, and can obtain a \$100,000 mortgage at 6% for 30 years. Your interest on the loan for the first year (12 months) would be approximately \$6,000. (The annual interest amount decreases yearly over the life of the mortgage). If you have an MCC, you could claim a tax credit for 20% of the interest amount paid, or \$1,200, in the first year. This credit would reduce the amount of federal income tax you would otherwise owe (assuming your tax liability after certain other credits is at least \$1,200) when filing your tax return. In the alternative, it might increase the amount of refund owed you from taxes withheld from your wages. If you expect a refund, you might adjust your federal income tax withholding in advance to benefit from the credit on a monthly basis and thus, have more disposable income each month with which to make your mortgage payments. In order to claim the credit, you must use a Form 1040 when filing your taxes. You may not use Form 1040A or 1040 EZ. Your deduction for home mortgage interest on Schedule A of Form 1040 would be \$4,800 (\$6,000 of home mortgage interest you paid, minus the \$1,200 credit amount).

If you have decided to apply for an MCC after considering the above, please acknowledge such by signing and dating this form. Your lender is required to submit it to Montana Board of Housing with your MCC application.

Applicant

Date: _____

Applicant

Date: _____

EXHIBIT H

**NOTICE TO MORTGAGOR OF MAXIMUM
RECAPTURE TAX AND OF METHOD TO
COMPUTE RECAPTURE TAX ON SALE OF HOME**
[To be executed at Mortgage Loan Closing]

Mortgagor: _____ SSN: _____

Co-Mortgagor: _____ SSN: _____

Address of Residence Financed: _____

*1. Mortgage Loan Closing Date: _____

*2. "Federally Subsidized Amount": _____
(Principal Balance at Closing Date)

3. Highest Qualifying Income as of the Closing Date for the Area in which the Residence is Located:

(i) 2 or less (for small household): _____

(ii) 3 or more (for large household): _____

TABLE

| Date that You Sell Your Home | (Column 1) Holding Period Percentage | (Column 2) Adjusted Qualifying Income | |
|--|---|--|------------------|
| | | 2 or less | 3 or more |
| (a) before the first anniversary of closing | 20% | \$ _____[*] | \$ _____[*] |
| (b) on or after the first anniversary of closing, but before the second anniversary of closing | 40% | \$ _____[*] | \$ _____[*] |
| (c) on or after the second anniversary of closing, but before the third anniversary of closing | 60% | \$ _____[*] | \$ _____[*] |
| (d) on or after the third anniversary of closing, but before the fourth anniversary of closing | 80% | \$ _____[*] | \$ _____[*] |
| (e) on or after the fourth anniversary of closing, but before the fifth anniversary of closing | 100% | \$ _____[*] | \$ _____[*] |

| | | | |
|--|-----|------------|------------|
| (f) on or after the fifth anniversary of closing, but before the sixth anniversary of closing | 80% | \$_____[*] | \$_____[*] |
| (g) on or after the sixth anniversary of closing, but before the seventh anniversary of closing | 60% | \$_____[*] | \$_____[*] |
| (h) on or after the seventh anniversary of closing, but before the eighth anniversary of closing | 40% | \$_____[*] | \$_____[*] |
| (i) on or after the eighth anniversary of closing, but before the ninth anniversary of closing | 20% | \$_____[*] | \$_____[*] |

NOTE: Closing means the date funds are disbursed to or for the benefit of the mortgagor and the mortgagor is liable for payment of the loan.

The numbers denoted with * are important for you to retain. These numbers will be needed for you to complete the IRS Recapture Tax form upon the sale of your home. The responsibility to compute and pay any potential recapture tax is yours. Neither the lender nor the Board of Housing will be providing you with any further information regarding the recapture tax provisions.

Rev. 1/91

A. Introduction

1. General

When you sell your home you may have to pay a recapture tax as calculated below. The recapture tax may also apply if you dispose of your home in some other way. Any reference in this notice to the "sale" of your home also includes other ways of disposing of your home. For instance, you may owe the recapture tax if you give your home to a relative.

2. Exceptions

In the following situations, no recapture tax is due and you do not need to do the calculations:

- a. You dispose of your home later than nine years after you close your mortgage loan;
- b. Your home is disposed of as a result of your death;
- c. You transfer your home either to your spouse or to your former spouse incident to divorce and you have no gain or loss included in your income under section 1041 of the Internal Revenue Code; or
- d. You dispose of your home at a loss.

B. Maximum Recapture Tax

The maximum recapture tax that you may be required to pay as an addition to your federal income tax is \$[insert the actual dollar amount resulting from the product of 6.25% multiplied by the highest principal amount of the mortgage loan]. This amount is 6.25% of the highest principal amount of your mortgage loan and is your federally subsidized amount with respect to the loan.

C. Actual Recapture Tax

The actual recapture tax, if any, can only be determined when you sell your home, and is the Lesser of:

1. 50% of your gain on the sale of your home, regardless of whether you have to include that gain in your income for federal income tax purposes; or
2. Your recapture amount determined by multiplying the following three numbers:
 - a. \$(insert the actual dollar amount resulting from the product of 6.25% multiplied by the highest principal amount of the mortgage Loan] (the maximum recapture tax, as described in paragraph B above),
 - b. The holding period percentage, as listed in Column 1 in the Table, and
 - c. The income percentage, as described in paragraph D below.

D. Income Percentage

You calculate the income percentage as follows:

1. Subtract the applicable adjusted qualifying income in the taxable year in which you sell your home, as listed in Column 2 in the Table from your modified adjusted gross income in the taxable year in which you sell your home.

Your modified adjusted gross income means your adjusted gross income shown on your federal income tax return for the taxable year in which you sell your home, with the following two adjustments:

- a. Your adjusted gross income must be increased by the amount of any interest that you receive or accrue in the taxable year from tax-exempt bonds that is excluded from your gross income (under Section 103 of the Internal Revenue Code); and
 - b. Your adjusted gross income must be decreased by the amount of any gain included in your gross income by reason of the sale of your home.
2. If the amount calculated in 1. above is zero or less, you owe no recapture tax and do not need to make any more calculations. If it is \$5,000 or more, your income percentage is 100%. If it is greater than zero but less than \$5,000, it must be divided by \$5,000. This fraction, expressed as a percentage, represents your income percentage. For example, if the fraction is \$1,000/\$5,000, your income percentage is 20%.

E. Limitations and Special Rules on Recapture Tax

1. If you give away your home (other than to your spouse or ex-spouse incident to divorce), you must determine your actual recapture tax as if you had sold your home for its fair market value.
2. If your home is destroyed by fire, storm, flood, or other casualty, there generally is no recapture tax if, within two years, you purchase additional property for use as your principal residence on the site of the home financed with your original subsidized mortgage loan.
3. In general, except as provided in future regulations, if two or more persons own a home and are jointly liable for the subsidized mortgage loan, the actual recapture tax is determined separately for them based on their interests in the home.

4. If you repay your Loan in full during the nine year recapture period and you sell your home during this period, your holding period percentage may be reduced under the special rule in Section 143(m)(4)(C)(ii) of the Internal Revenue Code.
5. Other special rules may apply in particular circumstances. You may wish to consult with a tax advisor or the local office of the Internal Revenue Service when you sell or otherwise dispose of your home to determine the amount, if any, of your actual recapture tax. See Section 143(m) of the Internal Revenue Code generally.

Provisions of the Internal Revenue Code are, in all respects, subject to change, revision, interpretation, revision or repeal by the Congress. The above is not intended to be other than a general summary of certain complicated provisions of the Code relating to the recapture tax provisions, and is not intended as a substitute for your review of such provision. Neither the Montana Board of Housing, the Participant, nor any other party to the Board's Program takes any responsibility in any way relating to the recapture tax.

The undersigned Mortgagor(s) has (have) received and read a duplicate copy of the foregoing "Notice to Mortgagor of Maximum Recapture Tax and of Method to Compute Recapture Tax on Sale of Home."

Date: _____

By: _____

By: _____

EXHIBIT I

QUALIFICATION AS “VETERAN” WITHIN THE MEANING OF 38 U.S.C. SECTION 101

In order to qualify as a “veteran” within the meaning of 38 U.S.C. Section 101, *both* (1) and (2) below must be satisfied:

- (1) Borrower must have served in the active military, naval or air service in one of the following capacities (must mark (a), (b) or (c)):

___ (a) **Active duty** in one of the following manners:

___ (i) full-time duty (other than active duty for training) in the Armed Forces (United States Army, Navy, Marine Corps, Air Force, and Coast Guard, including the reserve components);

___ (ii) full-time duty (other than for training purposes) as a commissioned officer of the Regular or Reserve Corps of the Public Health Service (on or after July 29, 1945, or before that date if under circumstances affording entitlement to “full military benefits”);

___ (iii) full-time duty as a commissioned officer of the National Oceanic and Atmospheric Administration or its predecessor the Coast and Geodetic Survey (on or after July 29, 1945, or before that date if while on transfer to one of the Armed Forces or if while assigned to duty on a project for one of the Armed Forces in an area determined by Secretary of Defense to be of immediate military hazard during time of war or national emergency declared by President or if in the Philippine Islands on December 7, 1941 and continuously in such islands thereafter; or

___ (iv) service as a cadet in the United States Military, Air Force or Coast Guard Academy, or as a midshipman at the United States Naval Academy; or

___ (v) authorized travel to or from such duty or service listed in (a)(i) through (iv) above.

___ (b) **Active duty for training** in one of the following manners *if* the member was disabled during such period from a disease or injury incurred or aggravated in the line of duty (specifically excludes any duty performed as a temporary member of the Coast Guard Reserve):

___ (i) full-time duty for training purposes in the Armed Forces Reserves (Army Reserve, Naval Reserve, Marine Corps Reserve, Air Force Reserve, Coast Guard Reserve, Army National Guard of the United States and Air National Guard of the United States);

___ (ii) full-time duty for training purposes as a commissioned officer of the Reserve Corps of the Public Health Service (on or after July 29, 1945, or before that date if under circumstances affording entitlement to “full military benefits”);

___ (iii) full-time duty for members of the Army National Guard or Air National Guard of any State under Title 32, Section 316 (detail of members of Army National Guard for rifle instruction of civilians), Section 502 (required drills and field exercises), Section 503 (participation in field exercises), Section 504 (National Guard schools and small arms competitions), or Section 505 (Army and Air Force schools and field exercises);

___ (iv) duty performed as a member of a Senior Reserve Officers' Training Corps program when ordered to such duty for the purposes of training or a practice cruise under Chapter 103 of Title 10 for a period of not less than 4 weeks and which must be completed by the member before the member is commissioned; or

___ (v) authorized travel to or from such duty listed in items (b)(i) through (iv) above.

___ (c) **Inactive duty training** in one of the following manners *if* the member was disabled during such period from an injury incurred or aggravated in the line of duty or from an acute myocardial infarction, a cardiac arrest or a cerebrovascular accident occurring during such training (specifically excludes any work or study performed in connection with correspondence courses, attendance at an educational institution in an inactive status or duty performed as a temporary member of the Coast Guard Reserve):

___ (i) duty (other than full-time duty) prescribed for Reserves (Army Reserve, Naval Reserve, Marine Corps Reserve, Air Force Reserve, Coast Guard Reserve, Army National Guard of the United States, Air National Guard of the United States and commissioned officers of the Reserve Corps of the Public Health Service) by the Secretary concerned under Section 206 of Title 37 or any other provision of law;

___ (ii) special additional duties authorized for Reserves (Army Reserve, Naval Reserve, Marine Corps Reserve, Air Force Reserve, Coast Guard Reserve, Army National Guard of the United States, Air National Guard of the United States and commissioned officers of the Reserve Corps of the Public Health Service) by an authority designated by the Secretary concerned and performed by them on a voluntary basis in connection with prescribed training or maintenance activities of the units to which they are assigned; or

___ (iii) training (other than active duty for training) by a member of, or applicant for membership (as defined in Section 8140(g) of Title 5) in the Senior Reserve Officers' Training Corps prescribed under Chapter 103 of Title 10.

(2) Borrower has been discharged or released from the service referenced in (1) above under conditions other than dishonorable, including retirement or the satisfactory completion of the period of active military, naval or air service required if, due to enlistment or re-enlistment, discharge or release at the time of such completion was not awarded but was earned and would have been awarded under conditions other than dishonorable.

I hereby state under oath that each of the statements and the information in this worksheet is material and is required to obtain a Mortgage Loan and declare under penalty of perjury, fraud and misrepresentation, which are felony offenses, that the above statements are true, accurate and complete.

Borrower

Date

EXHIBIT J
MONTANA BOARD OF HOUSING

MORTGAGE CREDIT CERTIFICATE (MCC) PROGRAM
MCC RE-ISSUANCE APPLICATION AND AFFIDAVIT

(Please print or type)

Borrower Name _____
Co-Borrower Name _____
Contact Phone number _____
Contact E-mail address _____
Property Address _____
Mailing address (if different) _____
City, State, Zip _____

In support of my request for a Re-issued Mortgage Credit Certificate, I (inclusive of all borrowers) hereby submit the following:

1. A Certified check, cashier's check or Money Order payable to the Montana Board of Housing for the re-issuance fee in the amount of \$100.00 (One hundred dollars); and
2. A copy of the payoff statement detailing the principal balance pay-off of the original MCC loan; and
3. A copy of the signed HUD-1 Settlement Statement for the new loan; and
4. A copy of the signed Promissory Note (with all riders, addenda, and/or modifications) for the new loan; and
5. The original, or (if lost) a copy of the Mortgage Credit Certificate originally issued by MBOH to me as Borrower; and
6. If not all of the original borrowers are on the new loan due to divorce or death, a copy of the Decree of Divorce or Death Certificate

All required documentation must be sent to:

MONTANA BOARD OF HOUSING
ATTN: MCC RE-ISSUANCE
P O Box 200528
Helena, Montana 59620-0528

**MORTGAGE CREDIT CERTIFICATE PROGRAM (MCC)
RE-ISSUANCE REQUEST AFFIDAVIT**

The undersigned, as an essential part of the application for the Re-issued Mortgage Credit Certificate, hereby swears or affirms to the Montana Board of Housing that:

1. The property described in the address on the application is the same property for which I was originally issued a Mortgage Credit Certificate (MCC) and continues to be my principal residence. No more than 15% of the area of the residence will be used in a trade or business.
2. The Mortgage Credit Certificate has not been revoked.
3. Except only for reason of death or divorce, I am the same person to whom the original MCC was issued.
4. I have refinanced my mortgage one or more times and am requesting that my MCC be re-issued for my new mortgage indebtedness, or such portion thereof as does not exceed the remaining outstanding balance of the certified mortgage indebtedness specified on the original MCC.
5. I understand that the re-issued MCC, if issued, will entitle me to an annual federal tax credit no greater than what we would have been eligible for under the terms and conditions of the original MCC.
6. I understand that the recapture provisions of my original MCC, under which I may incur a tax liability in the year that I sell the residence (or otherwise transfer to someone else), are still valid and in full effect.
7. I was not restricted as to which lender I used to refinance my mortgage loan and this lender did not provide a personal loan to me.
8. No part of the funding for the refinancing is from qualified mortgage revenue bonds or qualified veteran's mortgage bonds.

Dated: _____

Signed: _____
(Borrower)

(Co-Borrower)

STATE OF MONTANA)

County of _____)ss
)

On this _____ day of _____, 20____, before me, the undersigned, a Notary Public in and for the State of Montana, personally appeared _____, and acknowledged to me that _____ executed the within document.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official notary seal the day and year first above written.

Notary Public for the State of Montana
Residing at _____
My Commission expires: _____